

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	500.28	2.09	(7.02)	495.35	2.09	(6.02)	496.35	496.35
Personal Services	18,454,168	1,389,645	(29,450)	19,814,363	1,513,533	4,156	19,971,857	39,786,220
Operating Expenses	8,161,506	5,702,221	1,457,780	15,321,507	1,863,388	807,029	10,831,923	26,153,430
Equipment	754,526	72,132	75,000,000	75,826,658	67,132	0	821,658	76,648,316
Capital Outlay	847	0	0	847	0	0	847	1,694
Local Assistance	221,000	0	34,000	255,000	0	0	221,000	476,000
Grants	889,760	0	331,000	1,220,760	0	275,000	1,164,760	2,385,520
Benefits & Claims	1,600,977	(1,100,977)	0	500,000	(1,100,977)	0	500,000	1,000,000
Transfers	355,419	33,750	0	389,169	33,750	0	389,169	778,338
Debt Service	389,765	194,402	0	584,167	194,602	38,000	622,367	1,206,534
Total Costs	\$30,827,968	\$6,291,173	\$76,793,330	\$113,912,471	\$2,571,428	\$1,124,185	\$34,523,581	\$148,436,052
General Fund	16,529,294	118,843	74,950,565	91,598,702	(68,215)	19,239	16,480,318	108,079,020
State/Other Special	12,791,352	5,886,228	819,267	19,496,847	2,343,133	857,160	15,991,645	35,488,492
Federal Special	1,507,322	286,102	1,023,498	2,816,922	296,510	247,786	2,051,618	4,868,540
Total Funds	\$30,827,968	\$6,291,173	\$76,793,330	\$113,912,471	\$2,571,428	\$1,124,185	\$34,523,581	\$148,436,052

Agency Description

The Department of Natural Resources is tasked to: 1) manage the state trust land resource to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land; 2) protect Montana's natural resources from wildfires through regulation and partnerships with federal, state, and local agencies; 3) promote stewardship of state water, soil, forest, and rangeland resources, and regulate forest practices to protect water quality; 4) provide administrative, legal, and technical assistance and financial grants to the conservation districts and provide natural resource conservation and development programs; 5) resolve water resource use conflicts, manage state water projects, investigate water use violations, ensure dam safety compliance, and provide water adjudication support to the Water Court; 6) provide administrative support to the Reserved Water Rights Compact Commission to negotiate the settlement of reserved water rights claims of Indian Tribes and federal agencies; and 7) provide administrative support to the Board of Oil and Gas Conservation to assist in conservation of oil and gas and prevention of resource waste through regulation of oil and gas exploration and production. The State Board of Land Commissioners, comprised of the Governor, State Auditor, Attorney General, Superintendent of Public Instruction, and Secretary of State, exercise the general authority, direction, and control over the care, management, and disposition of state lands under its administration. The director is the chief administrative officer of the board.

Summary of Legislative Action

The Department of Natural Resources and Conservation budget, as approved by the legislature, increased by \$84.8 million, including a \$74.5 million general fund increase, compared to the 2001 biennium. FTE increased by 4.34 over the fiscal 2000 level. The legislature approved present law changes in HB 2, adding 2.09 FTE in each year of the biennium and increasing base expenditures by \$8.9 million (\$50,628 general fund) over the 2003 biennium. New proposals in HB 2 reduced FTE by 7.02 in fiscal 2002 and 6.02 in fiscal 2003 and increased funding by \$77.9 million over the biennium. Major budgetary issues include the following:

- ?? The legislature enacted SB 495, which revises school funding through the use of the public school fund. The bill provides loan proceeds (no more than \$75.0 million) from the coal severance tax permanent fund to the Department of Natural Resources and Conservation for the purchase of mineral production rights for the next thirty years. The mineral royalties from school trust lands will be deposited into a guarantee account intended to stabilize the long-term growth of the permanent fund and to maintain an increasing and distributable revenue stream. The legislature appropriated \$75.0 million general fund to enact this bill
- ?? The legislature approved funding of \$0.5 million for engineering and environmental planning purposes to continue work on regional water systems
- ?? An appropriation of \$3.6 million was granted to begin work on the Bair and Nevada Creek Dams. These are high-hazard earthen dams that pose a state liability risk if failure should occur

- ?? The legislature is continuing with a program to map floodways and floodplains
- ?? An appropriation of \$0.3 million was granted to increase the number of irrigated acres in the state
- ?? Because of the severe fire season in 2000, the legislature appropriated \$0.5 million for conservation seedlings and forest rehabilitation
- ?? An appropriation totaling \$250,000 was granted for administrative support of the North Central Montana regional water authority
- ?? Federal funding totaling \$0.6 million was appropriated for two new programs designed to assess homeowner defensible space and to create a matching funds program to restore damaged forests and educate landowners
- ?? Authority for \$156,000 federal special revenue was approved for a program designed to monitor the health of the state forests
- ?? The legislature eliminated funding for the Agricultural Heritage program. Although the program will be terminated, the department must continue to manage the financial portion of the program for existing contracts. Not all program participants have received funds agreed upon in contractual agreements. The department will continue to monitor contractual compliance and pay participants when conditions are met. Costs associated with these activities will be absorbed within current budgets. In the fiscal 1999 legislative session, the Agricultural Heritage program was funded as a one-time-only project. Thus, the department's expenditure for this program is not reflected in the base
- ?? The legislature accepted a proposal to reduce settlement payments to the Crow Tribe. This had the effect of decreasing general fund expenditures by \$2.0 million over the biennium. This reduction is a policy decision to put the state on track to pay the water rights and coal tax litigation settlement with Crow Tribe over a 15-year period rather than on an accelerated 10-year period

Supplemental Appropriation Description

The legislature usually does not appropriate any general fund in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression). Instead, it appropriates funding through: 1) a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs; and/or 2) statutory appropriations of up to \$12.0 million if the Governor declares a wildfire emergency. In the 2001 biennium, fire suppression efforts cost approximately \$59.1 million. Table 1 describes how the fire suppression supplemental appropriation was calculated.

Table 1 Natural Resources and Conservation 2001 Fire Supplemental		
<u>PART 1:</u>		
<u>FY 2000/01 ACTUAL & ESTIMATED FIRE COSTS</u>		
Appropriation transfer (fiscal 2000 actual costs)	\$4,048,986	
State protection Costs	26,753,878	
Anticipated DNRC Expenditures	500,000	
U.S. Forest Service/BLM Bill	27,712,220	
DNRC Fire Budgeted Costs to be Backed Out	(425,510)	
Spring Fire Estimate for 2001	<u>475,000</u>	
PAID & ANTICIPATED OBLIGATIONS		\$59,064,574
<u>PART 2:</u>		
<u>COSTS COVERED BY OTHER SOURCES</u>		
FEMA advances already received	\$20,740,000	
Governor's emergency fund advance	<u>5,100,000</u>	
TOTAL COSTS COVERED BY OTHER SOURCES		<u>25,840,000</u>
DNRC fire suppression costs included in the supplemental appropriation		<u>\$33,224,574</u>
SUPPLEMENTAL SUMMARY		
House Bill 17	\$6,048,986	
House Bill 3	<u>27,175,588</u>	
TOTAL SUPPLEMENTAL APPROPRIATION	<u>\$33,224,574</u>	
<u>PART 3:</u>		
<u>NET COST TO THE STATE OF MONTANA</u>		
Supplemental Appropriation		\$33,224,574
Assistance to other agencies	\$8,138,272	
Remainder of FEMA reimbursements	14,569,423	
Governor's emergency fund advance	<u>(5,100,000)</u>	
SUBTOTAL		<u>\$17,607,695</u>
NET COST TO STATE (PRELIMINARY)		<u>\$15,616,879</u>

Part 1 of the table shows total estimated costs for state-responsibility fires, including the anticipated bill from the federal government for assistance in fighting Montana fires. The department must: 1) replace \$4.1 million of fiscal 2001 general fund operating appropriations spent for wildfire suppression in fiscal 2000; 2) replace \$26.8 million of state costs already paid in fiscal 2001; 3) pay \$0.5 million to cover anticipated costs not yet processed; 4) pay an estimated \$27.7 million to federal agencies for their costs yet to be billed for fighting state fires; 5) deduct \$0.4 million for personnel costs that had been budgeted; and 6) set aside an estimated \$475,000 for anticipated spring 2001 wildfire costs. These calculations bring the cost of fire suppression to approximately \$59.1 million.

Part 2 shows those portions of the cost that have been covered by non-DNRC funds such as a Federal Emergency Management Agency (FEMA) grant and the Governor's emergency fund. Because of the severity of the 2001 biennium

fire season, FEMA has agreed to pay for 100 percent of FEMA-qualified fire suppression costs. Qualified costs include costs of suppression between the time of mobilization and de-mobilization of the suppression effort. As the table shows, Montana has so far received \$20.7 million from FEMA. In addition to the FEMA grant, the department also utilized \$5.1 million from the Governor's emergency fund. As part 2 illustrates, the total supplemental appropriation approved by the legislature was \$33.2 million.

Part 3 shows the net cost of Montana's fire suppression efforts. Certain fire suppression costs have to be paid immediately but will be eventually be returned to Montana. The state will receive the remainder of a FEMA grant (\$14.6 million) and reimbursements from other states for Montana's assistance in fighting their fires (\$8.1 million). While the utilization of the Governor's statutory emergency fund reduced the amount of supplemental appropriation needed to pay for immediate costs until further reimbursement is received, in order to arrive at the net general fund cost to Montana, this general fund expenditure must also be accounted for. As part 3 shows, the 2001 biennium fire season will ultimately cost Montana just over \$15.6 million. However, delays in processing the remainder of FEMA documents could delay receipt of this grant until fiscal 2002.

The department received the total supplemental appropriation in two bills - HB 17 and HB 3. HB 17 was introduced early in the session for expedited action by the legislature and totaled just over \$6.1 million. This appropriation was comprised of a \$2.0 million general fund appropriation that was transferred from the Water Resources division to the Forestry Division, and \$4.1 million that was utilized from the Forestry Division's fiscal 2001 general fund operating appropriation to pay costs of fiscal 2000 fire costs. All remaining fire suppression costs were funded in HB 3, which totaled \$27.2 million. As stated earlier, the legislature appropriated \$0.5 million for fire suppression in the 2003 biennium with the anticipation that all other costs would again be funded through supplemental appropriations.

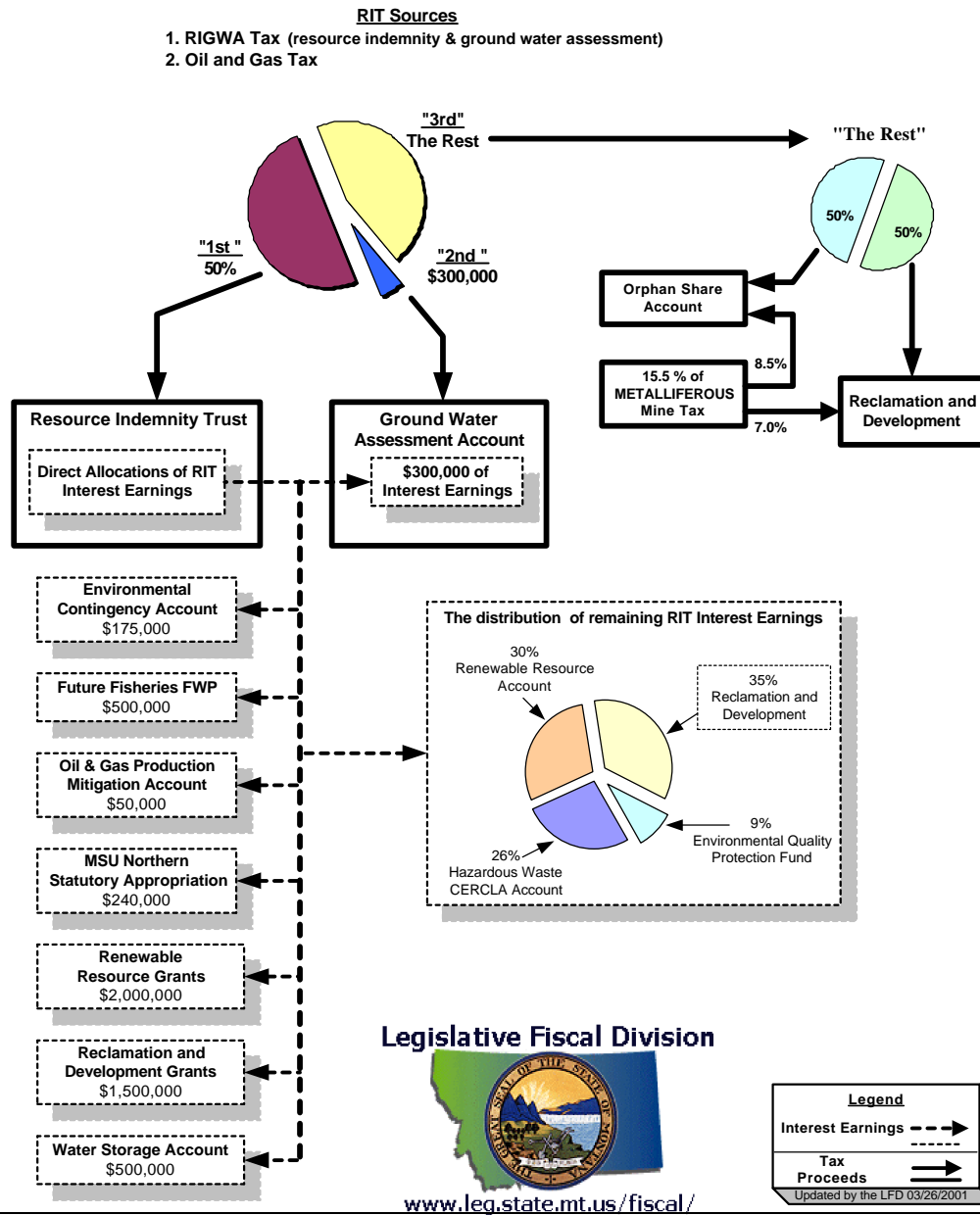
Agency Discussion

Resource Indemnity Trust

The Montana Constitution (Article IX, Section 2) requires the existence of the Resource Indemnity Trust (RIT) and states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000) guaranteed by the state against loss or diversion."

Currently, the trust receives 50 percent of the revenue from: 1) the resource indemnity and ground water assessment (RIGWA) tax paid by mineral producers; and 2) portions of oil and natural gas production taxes that are allocated for distribution under RIT statutes. The remaining taxes are deposited in accounts established for various purposes. Chart 1 shows the flow of RIT proceeds and interest to expenditure accounts in fiscal 2002, before the trust reaches \$100 million.

Chart 1
Flow of RIT Taxes & Interest Proceeds, Fiscal 2002
(Prior to the RIT reaching \$100 Million)



After the RIT reaches \$100 million, which is anticipated to occur in fiscal 2002, the distribution of RIGWA and oil and gas tax proceeds will change beginning in fiscal 2003. For a further discussion, see the "Legislative Changes" section.

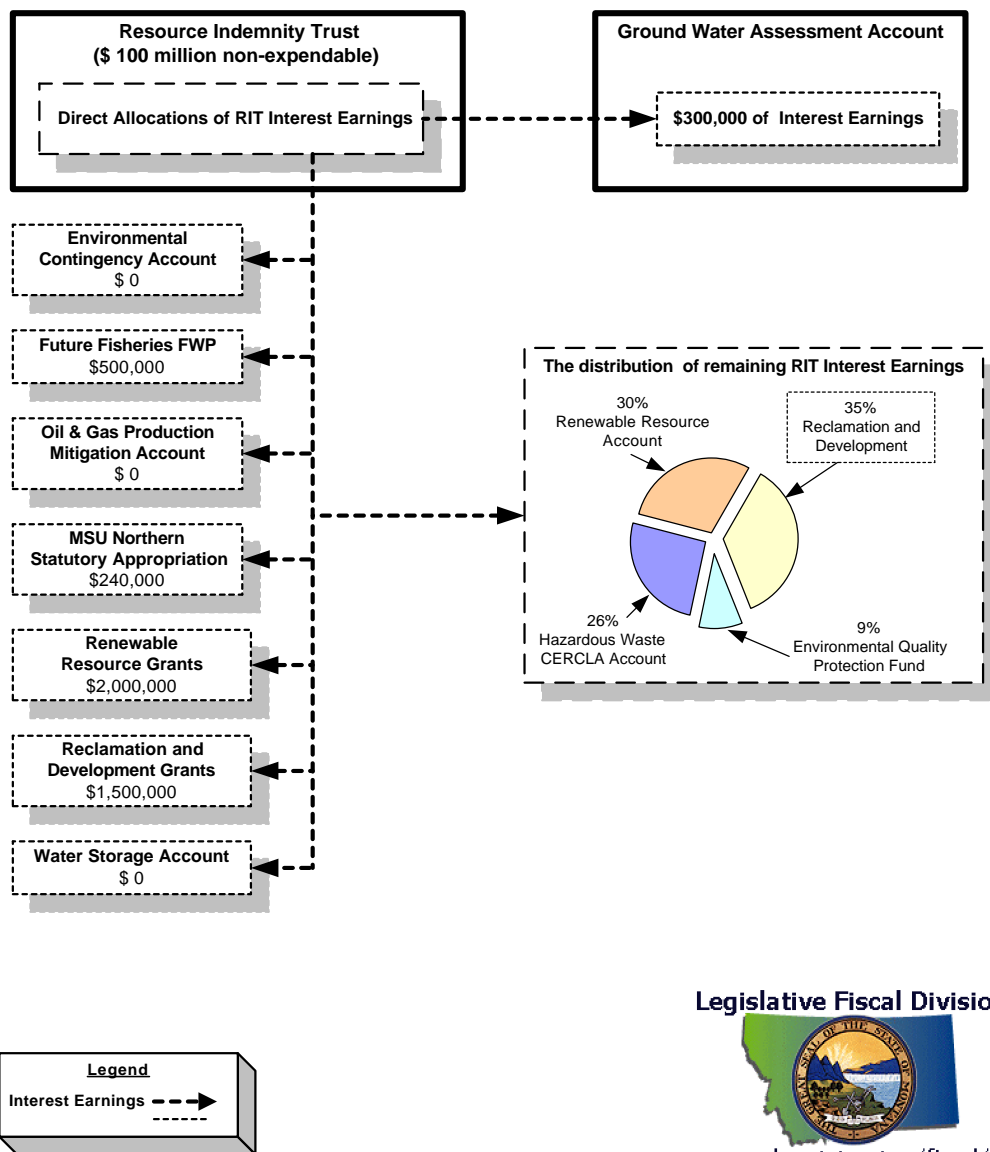
Trust Interest

The constitution does not restrict the spending of interest from the RIT. For the 2003 biennium, statute allocates \$9.8 million of the interest for eight purposes. After the direct allocations are made, any interest remaining is allocated as follows:

1. 30 percent to the renewable resource account;
2. 35 percent to the reclamation and development account, which also receives portions of the RIGWA and metalliferous mines tax proceeds;
3. 26 percent to the hazardous waste/CERCLA account; and
4. 9 percent to the environmental quality protection fund.

The four accounts, along with other income, are appropriated by the legislature in HB 2 to fund operational costs of six agencies. Chart 2 shows the flow of interest allocations from the RIT in fiscal 2003.

Chart 2
Flow of RIT Interest Earnings, Fiscal 2003
(After RIT reaches \$100 Million)



Updated by the LFD 05/07/2001

Legislative Fiscal Division



www.leg.state.mt.us/fiscal/

Table 2 shows four elements of RIT. The first and second elements show the RIT revenues and trust balance for the past four fiscal years and Revenue and Taxation Committee (RATC) projections for fiscal years 2001, 2002, and 2003. Based upon RATC estimates, the trust balance will be \$99.6 million in fiscal 2001 and will be \$101.1 million in fiscal 2002. Since the trust will not receive any further distributions after it tops \$100.0 million in 2003, the trust balance will remain at \$101.1 million (However, the legislature appropriated funds in excess of \$100 million and spending of this excess will begin in fiscal 2003).

The third element shows the amount of interest generated by the RIT and the amounts that are allocated by statute for specific purposes in the 2003 biennium. As shown, allocations to accounts that receive a portion of the tax will increase in fiscal 2003 when tax revenues are no longer deposited to the trust. The fourth section shows seven main accounts that receive RIT interest and other revenues. Calculations are shown for each account to determine available fund balances at the beginning of fiscal 2002, a list of revenue sources, and a list of appropriations as approved by the legislature.

The revenue figures for fiscal 2000 are overstated. Accounting errors resulted in revenue estimates being approximately \$1.8 million too high in fiscal 2000. The Legislative Fiscal Division received a reconciliation of adjustments made by the Department of Revenue to remedy the problem. Because fiscal 2000 is closed for accounting purposes, accounting rules dictate that a prior period adjustment be made in fiscal 2001. Consequently, the fiscal 2001 figure is understated to compensate for the overstatement in fiscal 2000.

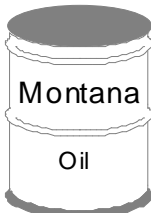
Table 2
Resource Indemnity Trust (RIT): Proceeds, Interest Earnings, and Related Expenditure Accounts
2003 Biennium Projections (Prior to and after the RIT Reaches \$100 Million)

1

RIT Revenues (RATC estimates)	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001	Fiscal 2002	Fiscal 2003
RIGWAT Coal, Oil, Natural Gas Proceeds	\$1,431,779	\$997,607	\$900,648	\$3,396,285	\$1,570,000	\$1,452,000	\$0
RIGWAT Error Adjustments	0	0	0	0	(1,841,653)	0	0
Legislative Changes -- Weeds (\$500K), Water Treatment (\$540K)						0	(1,040,000)
Legislative Changes -- Subdivisions, Cons. Dist., Irrigation grants						0	(16,874)
Total Deposits	\$1,431,779	\$997,607	\$900,648	\$3,396,285	(\$271,653)	\$1,452,000	(\$1,056,874)
Trust Balance (\$100 million floor)*	\$94,581,987	\$95,579,594	\$96,480,242	\$99,876,527	\$99,604,874	\$101,056,874	\$100,000,000

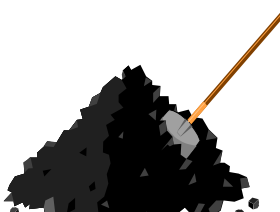
2

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Biennium Total
Total RIGWA Tax (RATC estimates)	\$3,140,000	\$2,904,000	\$2,809,000	\$5,713,000
Statutory Allocations				
Reclamation & Development-50% of rest (02458)	635,000	576,000	1,221,500	1,797,500
Groundwater Assessment Account-direct (02289)	300,000	300,000	366,000	666,000
Renewable Resources Account-0% (02272)	0	0	0	0
Orphan Share Account-50% of rest (02472)	635,000	576,000	1,221,500	1,797,500
Resource Indemnity Trust-50% (09003)	1,570,000	1,452,000	0	1,452,000
Total Allocations	\$3,140,000	\$2,904,000	\$2,809,000	\$5,713,000



3

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Biennium Total
RIT Interest Earnings (RATC estimates)	\$7,467,000	\$7,582,000	\$7,609,000	\$15,191,000
Priority Statutory Allocations of Interest				
Environmental Contingency Account (02107)**	0	(175,000)	0	(175,000)
Oil & Gas Prod. Damage Mitigation Account (02010)***	0	(50,000)	0	(50,000)
Water Storage Account (02216)	0	(500,000)	0	(500,000)
Groundwater Assessment Account-direct (02289)	(300,000)	(300,000)	(300,000)	(600,000)
MSU-Northern Statutory Appropriation (02272)	(240,000)	(240,000)	(240,000)	(480,000)
Fish, Wildlife, and Parks -- Future Fisheries	0	(500,000)	(500,000)	(1,000,000)
Renewable Resource Grant & Loan Program (02272)	(2,000,000)	(2,000,000)	(2,000,000)	(4,000,000)
Reclamation & Development Grants (grants) (02458)	(1,500,000)	(1,500,000)	(1,500,000)	(3,000,000)
Total Allocations	(\$4,040,000)	(\$5,265,000)	(\$4,540,000)	(\$9,805,000)
Amount Available for Further Distribution	\$3,427,000	\$2,317,000	\$3,069,000	\$5,386,000



4 Related Expenditure Accounts (2003 biennium totals)	Table 2 (Continued)						
	Renewable Resource (02272)	Reclamation & Development (02458)	Hazardous Waste/CERCLA (02070)	Environmental Quality Protect. (02162)	Groundwater Assessment (02289)****	Water Storage (02216)	Orphan Share (02472)
	Further Distribution % of RIT Interest	30%	35%	26%	9%	0%	0%
Beginning Fiscal 2001 Fund Balance (SABHRS)	\$3,089,373	\$3,299,722	\$1,003,164	\$692,078	\$255,033	\$618,532	\$3,162,681
Continuing appropriations	(3,219,636)	(3,061,668)	(3,676)	0	0	(167,866)	(500,000)
Credit for Unfinished Projects		900,000					
Reserved for long-term assets (outstanding loans)	(459,773)					(1,478,814)	
Reserved for long-term advances							
Fiscal 2001 appropriations	(1,453,924)	(1,704,881)	(866,148)	(841,735)	(656,000)	0	(539,308)
Fiscal 2001 adjustments -- Revenue Error Adjustments	(750,862)	(1,744,963)	(308,146)	(100,677)	0	0	(918,932)
Fiscal 2001 revenues (RATC, agency estimates)	<u>3,668,363</u>	<u>3,824,800</u>	<u>925,020</u>	<u>884,100</u>	<u>600,000</u>	<u>117,120</u>	<u>1,282,425</u>
Available Fund Balance Beginning FY2002	\$873,542	\$1,513,011	\$750,214	\$633,766	\$199,033	(\$911,027)	\$2,486,867
Revenues (RATC, agency estimates)							
RIT Interest-direct	\$4,480,000	\$3,000,000			\$600,000	\$500,000	
RIT Interest-further allocation by above %	1,615,800	1,885,100	1,400,360	484,740			
RIGWAT Proceeds		1,797,500			666,000		1,797,500
Metal Mines Tax (7%, 8.5%)		1,117,480					1,356,940
Leg. Changes 02458 -- HB572, 02458 -- HB 572, SB 322, SB 484		(200,000)					(1,017,250)
Sweep of Excess Coal Tax & Interest (from 04011)	120,000						
STIP/Other Interest	160,000		68,000	22,000		10,000	92,000
Cost Recoveries				480,000			
Administrative Fees	26,000					9,000	
State-owned Project Revenue	-	-	-	-	-	<u>225,400</u>	
Total Revenues	\$6,401,800	\$7,600,080	\$1,468,360	\$986,740	\$1,266,000	\$744,400	\$2,229,190
Executive Appropriations							
House Bills 6 and 7 Grants	\$4,000,000	\$4,700,741					
House Bill 6-Emergency/Private Grants	225,000						
MSU-Northern (statutorily appropriated)	480,000						
UM-Bureau of Mines					\$1,266,000		
DNRC-Conservation and Resource Devel. Division	682,647	1,264,205					
DNRC-Water Resources Division						500,000	
DEQ-Planning, Prevention & Assistance			\$319,593				
DEQ-Enforcement		10,551		9,655			
DEQ-Remediation			500,275	1,744,839			3,552,003
DEQ-Permitting & Compliance		2,968,285	1,056,094				
Governor's Office-Flathead Basin Commission	99,020						
Judiciary-Water Court	1,348,650						
Library Commission-NRIS	379,056	335,467					
House Bill 13	<u>12,615</u>	<u>90,686</u>	<u>42,613</u>	<u>38,707</u>	-	-	-
Total Appropriations	\$7,226,988	\$9,369,935	\$1,918,575	\$1,793,201	\$1,266,000	\$500,000	\$3,552,003
Projected 2003 Biennium Ending Balance	<u>\$48,354</u>	<u>(\$256,844)</u>	<u>\$299,999</u>	<u>(\$172,695)</u>	<u>\$199,033</u>	<u>(\$666,627)</u>	<u>\$1,164,054</u>
* Does not include unrealized investment gains or losses							
** The governor must report on the expenditures from the environmental contingency account in the executive budget. Expenditures are statutorily appropriated.							
*** Amounts are deposited to the oil & gas production damage mitigation account to bring the balance up to \$200,000 (82-11-161,MCA). All money in the account is statutorily appropriated.							
**** Amounts are deposited to the groundwater assessment account to bring the balance up to \$666,000. Any excess goes to the RIT trust (85-2-905, MCA).							

Legislative Changes -- RIT

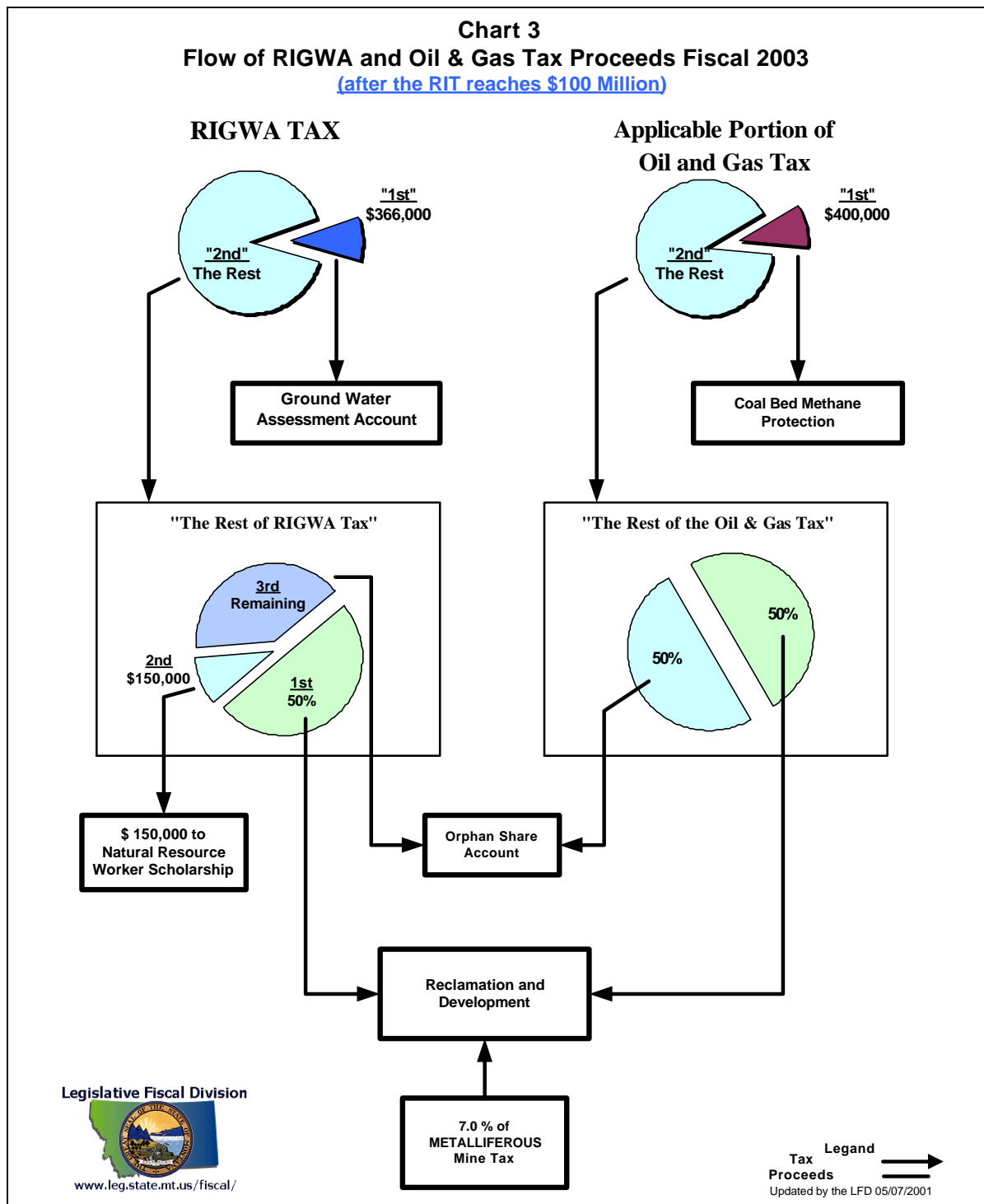
Based on the Revenue and Taxation Committee estimates, the trust should exceed the \$100 million threshold during fiscal 2002. When this occurs, the RIT will no longer receive any revenue. Because of newly enacted legislation, several changes in the distribution of resource indemnity and groundwater assessment taxes (RIGWA) and oil and gas taxes will occur. In previous biennia, these taxes were combined and distributed according to 15-38-106, MCA. The following are descriptions of the main changes that occur after the trust is certified to be \$100 million:

?? HB 572 clarifies the distribution of oil and natural gas production taxes by creating a coal bed methane protection account. In addition, the bill creates a coal bed methane protection program to compensate landowners and water rights holders for damage caused by the development of coal bed methane. As a

result of this bill, oil and gas taxes (15-36-324, MCA) will no longer be distributed in the same manner as RIGWA taxes (15-38-106, MCA). Instead, HB 572 requires that \$400,000 be allocated to the coal bed methane protection fund each fiscal year. After that, remaining oil and gas taxes allocated for RIT purposes will be split equally with 50 percent going to the reclamation and development account and 50 percent going to the orphan share account

- ?? SB 322 creates a natural resource workers' education program that provides tuition scholarships for natural resource workers unemployed due to a closure or a permanent reduction in force. The scholarships will provide education or retraining for a maximum of two years. Like distributions in previous biennia, a portion of RIGWA funds is allocated to the groundwater assessment account (\$366,000 in fiscal 2003). The bill then incorporates a distribution of 50 percent of the remaining RIGWA funds to the reclamation and development account. Next, a distribution of up to \$150,000 is made to the natural resource workers tuition scholarship account. Finally, all remaining RIGWA proceeds are deposited to the orphan share account. In past biennia, RIGWA taxes were combined with oil and gas taxes and distributed under 15-38-106, MCA. This bill also modifies that statute to clarify that these are exclusively RIGWA tax distributions
- ?? In past biennia, the orphan share account received an 8.5 percent distribution from the metalliferous mines license tax and the reclamation and development account received a 7 percent distribution. SB 484 creates a hard rock mining reclamation debt service fund and authorizes the Board of Examiners to issue general obligation bonds of up to \$8.0 million for the purpose of hard rock mine reclamation. The bill funds the account with 8.5 percent of the metalliferous mines license tax by re-directing the portion that went into the orphan share account. The 7 percent distribution remains the same. This bill is effective July 1, 2002.
- ?? Upon certification that the trust has reached \$100 million, any excess money in the trust has been appropriated by the legislature. In order of priority, the legislature appropriated: 1) \$0.5 million for weed control in SB 326; 2) \$0.54 million to the Department of Environmental Quality to purchase a zero coupon bond for water treatment at the former Zortman and Landusky mines; 3) \$120,000 for the Clark Fork River Basin study; and 4) any remaining cash left in the fund allocated two-thirds for conservation grants and one-third to irrigation grants in the Department of Natural Resources and Conservation, all in HB 2.

Chart 3 shows the flow of RIGWA and oil and gas taxes as they related to RIT after the trust reaches \$100 million in fiscal 2003.



Fund Balances

Of the seven funds that derive income from the RIT, three are projected to have negative balances and four are projected to have positive ending fund balances. The Water Storage fund is projected to have a negative \$666,627 balance, and an incorrect estimate of the amount of cost recovery in the environmental quality protection fund will bring the estimated ending balance in that fund to a negative \$172,695 at the end of the 2003 biennium.

After legislative action, the reclamation and development fund is projected to have a negative \$256,844 balance at the end of the 2003 biennium. The primary reasons for the negative ending balance are: 1) the legislature approved funding for an FTE to be a central state contact for the developing regional water systems. This position will be funded with the reclamation and development fund; 2) the legislature approved a funding switch reducing general fund expenditures in the Conservation and Resource Development Division and replacing them with funding from the reclamation and development fund; and 3) \$200,000 that would have otherwise gone into reclamation and development has been directed to the coal bed methane account established through HB 572.

In contrast, the orphan share fund is projected to have a positive ending fund balance of \$1.2 million. Even though the orphan share fund is projected to have a positive ending fund balance, legislative changes will affect revenue going into the fund. Similar to the reclamation and development fund, orphan share will not have \$200,000 that will be re-directed into the coal bed methane account established through HB 572. SB 322 creates a natural resource workers' education fund using up to \$150,000 each fiscal year that would have gone into the orphan share fund. Finally, the orphan share fund no longer receives an 8.5 percent distribution from the metalliferous mines license tax. Instead, that money has been re-directed into a hard-rock debt service fund established in SB 484. Through these changes, it is estimated that the orphan share fund will receive \$1.1 million less in revenue in the 2003 biennium.

Other Legislation

House Bill 3 - HB 3 appropriates \$27.2 million general fund for actual and anticipated wildfire suppression costs in fiscal 2001. Of this total, the State of Montana expects to receive a \$22.7 million reimbursement from the Federal Emergency Management Agency (FEMA) and from the U.S. Forest Service for fire suppression assistance in other states. When they are received, reimbursements are deposited into the general fund. See the following discussion on HB 17 and the "Supplemental Appropriation Description" section for additional fire supplemental appropriation information.

House Bill 4 - HB 4 appropriates money that would usually be appropriated by the budget amendment process for fiscal 2001. This bill appropriates \$2.2 million for fiscal 2001 to the department for various projects including watershed management, volunteer fire assistance, and river studies.

House Bill 5 - HB 5 appropriates money for capital and major maintenance projects for the 2001 biennium. The department was appropriated \$94,000 of long-range building funds to expand the unit office in Libby and \$125,000 for construction of the Lincoln unit office and the Clearwater Egress.

House Bill 6 - HB 6 appropriates \$4.8 million of RIT interest to the department for renewable resource grants. Of the total, \$125,000 is to be used by the department for emergency projects and \$100,000 is to be used for private grants. The remainder is available to state agencies, political subdivisions, and local government entities. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 6.

House Bill 7 - The legislature appropriated \$4.1 million of RIT interest to the Department of Natural Resources and Conservation for reclamation and development projects. Included in the appropriation is \$272,500 to the department for reclamation of environmental hazard sites on state land. For a further discussion, see Volume 4 for a list of specific projects funded in HB 7.

House Bill 8 - HB 8 provides the authority for the loan portion of the renewable resource grant and loan program. The issuance of \$18,956,102 in coal severance tax bonds was approved by the legislature and the proceeds appropriated to the department for: 1) loans for new projects - \$15,927,294; 2) projects in HB 6 if grant funds are insufficient - \$1,305,526; and 3) establishment of a reserve for the bonds - \$1,723,282. See the Long Range Planning section in Volume 4 for a list of specific projects funded in HB 8.

House Bill 17 - HB 17 appropriates \$6.1 million general fund for wildfire suppression costs. Of this amount, \$4.1 million was spent on wildfire expenditures in fiscal 2000 and \$2.0 million was used to replace funding in the Water Resources Division utilized to pay for suppression costs in fiscal 2001.

Senate Bill 31 - SB 31 revises the laws governing state trust land to allow the use of historic right-of-way easements for existing utilities and extending the deadline for filing an application for a historic right-of-way deed. The department anticipates processing 100 historic right-of-way applications requiring four hours of staff review for each application. Fiscal impact to the department is \$5,000 in fiscal 2002 and \$5,000 in fiscal year 2003 from state special revenue funds. An appropriation was approved in HB2 for these amounts.

House Bill 397 - HB 397 establishes the Clark Fork River Task Force that will develop a water management plan for the Clark Fork River Basin. The task force will be made up of approximately fifteen members that would consist of private individuals, employees of corporations, and members of local and tribal governments. These members would meet throughout the basin to develop water use plans. The legislature appropriated \$120,000 in fiscal 2003 to implement this bill with funding coming from RIT trust money after the balance is in excess of \$100 million. It is worth noting that task force funding has a third level of priority from any excess money in the RIT trust. Based upon trust balance projections, it is unlikely that the full amount of the appropriation will be available to transfer for task force purposes.

Senate Bill 354 - SB 354 will increase the annual sustained timber yield (77-5-223, MCA) by approximately 2 to 6 million board feet annually beginning in fiscal year 2003. The legislature approved 1.00 FTE, which will be utilized to prepare and sell the additional volume generated by this legislation.

Senate Bill 474 - SB 474 revises laws relating to electrical energy and creates the Montana Power Authority. Among its duties, the authority can purchase electrical energy, generation facilities, or enter into joint ventures related to energy production. Although the authority is administratively attached to the department, the department expects an insignificant amount of cost to be incurred. Consequently, no appropriation was made to the department to implement this bill.

Senate Bill 495 - SB 495 revises school funding through the use of the public school fund. The bill also provides loan proceeds (no more than \$75.0 million) from the coal severance tax permanent fund to the Department of Natural Resources and Conservation for the purchase of mineral production rights for the next thirty years. The mineral royalties from school trust lands will be deposited into a guarantee account intended to stabilize the long-term growth of the permanent fund and to maintain an increasing and distributable revenue stream.

House Bill 572 - HB 572 clarifies the distribution of oil and natural gas production taxes by creating a coal bed methane protection account and deposits \$400,000 of the oil and natural gas production taxes into the new account at the beginning of each fiscal year. In addition, the bill creates a coal bed methane protection program to compensate landowners and water right holders for damage caused by the development of coal bed methane. As a result of this bill, the RIT portion of oil and gas taxes are no longer distributed under 15-38-106, MCA. Instead, the three pieces of oil and gas tax (15-36-324, sections 9, 10, and 11) are used for the coal bed methane protection account, reclamation and development (50 percent of remainder), and the orphan share account (50 percent of the remainder).

House Bill 626 - HB 626 ratifies a water compact entered into by and among the State of Montana, the Fort Belknap Indian Community of the Fort Belknap Reservation, and the United States of America for the purpose of settling all existing water rights claims of the Gros Ventre and Assiniboine Tribes which compose the Fort Belknap Indian Community of the Fort Belknap Reservation. Section 9 of the bill appropriates \$50,000 from the general fund for the economic development plan.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 2000	Executive Budget Fiscal 2002	Legislative Budget Fiscal 2002	Leg – Exec. Difference Fiscal 2002	Executive Budget Fiscal 2003	Legislative Budget Fiscal 2003	Leg – Exec. Difference Fiscal 2003	Biennium Difference Fiscal 02-03
FTE	500.28	505.62	495.35	(10.27)	505.62	496.35	(9.27)	
Personal Services	18,454,168	19,960,784	19,814,363	(146,421)	20,085,172	19,971,857	(113,315)	(259,736)
Operating Expenses	8,161,506	14,846,796	15,321,507	474,711	10,758,912	10,831,923	73,011	547,722
Equipment	754,526	826,658	75,826,658	75,000,000	821,658	821,658	0	75,000,000
Capital Outlay	847	847	847	0	847	847	0	0
Local Assistance	221,000	221,000	255,000	34,000	221,000	221,000	0	34,000
Grants	889,760	2,374,760	1,220,760	(1,154,000)	1,164,760	1,164,760	0	(1,154,000)
Benefits & Claims	1,600,977	500,000	500,000	0	500,000	500,000	0	0
Transfers	355,419	389,169	389,169	0	389,169	389,169	0	0
Debt Service	389,765	584,167	584,167	0	584,367	622,367	38,000	38,000
Total Costs	\$30,827,968	\$39,704,181	\$113,912,471	\$74,208,290	\$34,525,885	\$34,523,581	(\$2,304)	\$74,205,986
General Fund	16,529,294	17,536,494	91,598,702	74,062,208	17,141,897	16,480,318	(661,579)	73,400,629
State/Other Special	12,791,352	18,900,765	19,496,847	596,082	15,332,370	15,991,645	659,275	1,255,357
Federal Special	1,507,322	3,266,922	2,816,922	(450,000)	2,051,618	2,051,618	0	(450,000)
Total Funds	\$30,827,968	\$39,704,181	\$113,912,471	\$74,208,290	\$34,525,885	\$34,523,581	(\$2,304)	\$74,205,986

Executive Budget Comparison

Of the \$74.2 million increase over the executive budget (\$73.4 million general fund), \$75.0 million was appropriated to implement SB 495. Without this factor, the legislature approved decreases of \$0.8 million over the biennium from the executive request. In total for the biennium, the legislature approved decreases in the general fund budget of \$1.6 million. The primary reason for the decrease is that payments on a settlement with the Crow Tribe have been decreased from \$1.5 million equal annual installments to a level of \$0.5 million each fiscal year. In addition, the legislature approved general fund reductions through elimination of the Agricultural Heritage program, which is a reduction of \$0.4 million over the executive budget. New funding for Reclamation and Development Councils added an additional \$65,000 over the biennium.

In an effort to reduce general fund expenditures, through a series of funding switches and decision packages, the legislature increased state special revenue by \$1.3 million. In addition, the legislature appropriated \$0.1 million of coal tax proceeds above the executive proposal (8.36% allocation) to the conservation districts. Further, the legislature approved a general fund reduction for travel that reduced funding by \$66,936 over the biennium.

The overall decrease in federal funds is the result of removing \$1.0 million from the executive budget by eliminating the Agricultural Heritage program. The legislature also added two new programs to the Forestry Division of the department. Federal funding will be utilized to conduct defensible space audits in an effort to reduce wildland fire risk. This program will cost \$0.2 million. The department will also utilize federal funding to assist landowners with private forests with forest rehabilitation, education, and planning efforts at a cost of \$0.35 million.

Language

All remaining proceeds in excess of \$100 million in the Resource Indemnity Trust (RIT), up to \$100,000, must be appropriated in fiscal year 2003 to the department based upon a split of two-thirds for conservation district grant projects and one-third for irrigation grants. The appropriation is contingent upon the governor's certification that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the Office of Budget and Program Planning is authorized to transfer up to \$100,000 in cash from the RIT to a state special revenue fund to be used for these purposes. Further, the cash for these purposes cannot be transferred until \$500,000 has been transferred for the purpose of weed eradication, \$540,000 has been transferred for the purpose of purchasing securities for water treatment at the former Zortman and Landusky mines, and \$120,000 has been transferred to conduct the Clark Fork study.

Item [Centralized Services; Statewide Travel Reduction] includes a reduction of general fund of \$33,468 in fiscal year 2002 and \$33,468 in fiscal year 2003. This reduction is the equivalent of a 10 percent reduction in fiscal 2000 base

budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Centralized Services] includes a reduction of \$107,169 general fund in fiscal 2002 and \$107,543 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

State special revenue appropriations in item [Forestry and Trust Lands] may be used for firefighting costs. It is the intent of the legislature to replace any state special revenue expenditures with a general fund supplemental appropriation in the next legislative session.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	41.00	0.00	0.00	41.00	0.00	0.00	41.00	41.00
Personal Services	1,696,668	47,516	(107,169)	1,637,015	59,767	(107,543)	1,648,892	3,285,907
Operating Expenses	449,579	50,336	41,437	541,352	(22,278)	15,687	442,988	984,340
Debt Service	0	0	0	0	0	38,000	38,000	38,000
Total Costs	\$2,146,247	\$97,852	(\$65,732)	\$2,178,367	\$37,489	(\$53,856)	\$2,129,880	\$4,308,247
General Fund	1,865,298	100,401	(343,149)	1,622,550	40,038	(313,715)	1,591,621	3,214,171
State/Other Special	172,437	963	251,667	425,067	963	259,859	433,259	858,326
Federal Special	108,512	(3,512)	25,750	130,750	(3,512)	0	105,000	235,750
Total Funds	\$2,146,247	\$97,852	(\$65,732)	\$2,178,367	\$37,489	(\$53,856)	\$2,129,880	\$4,308,247

Program Description

The Centralized Services Division provides managerial and administrative support services to the department through: 1) the Director's Office, which includes the director, legal staff, and public information; and 2) support services, which manages all financial activities, coordinates information systems, produces publications and graphic materials, and performs general administrative support services. Support services include fiscal affairs, data processing, personnel, legal, reception, and mail. Responsibilities include trust revenue collection and distribution and maintenance of ownership records for trust and non-trust state-owned land.

Funding

The Centralized Services program is funded primarily with general fund, resource development funds, coal severance taxes, and federal indirect grant reimbursements. Table 3 provides details of the program's funding.

Table 3 Natural Resources and Conversation Centralized Services Division						
	Actual FY 2000	% of Total	Legislative Budget FY 2002	% of Total	Legislative Budget FY 2003	% of Total
General Fund	\$1,865,298		\$1,622,550		\$1,591,621	
Subtotal -- General Fund	\$1,865,298	86.91%	\$1,622,550	74.48%	\$1,591,621	74.73%
Rangeland Improvement Loans	\$19,374		\$19,300		\$19,300	
Forest Resources Nursery	-		-		8,192	
State Fire Protection Taxes			42,772		42,772	
Broadwater O & M			8,600		8,600	
Forest Resources -- Timber Sales			71,940		71,940	
Coal Sev. Tax Shared SSR	5,345		5,300		5,300	
Water Right Appropriation	25,874		26,000		26,000	
Oil & Gas ERA	62,235		62,500		62,500	
Forest Resources -- Forest Improvement			28,779		28,779	
State Lands Res Dev	54,264		80,000		80,000	
Water Well Contractors	5,345		5,300		5,300	
Trust Fund Revenues	0.0		74,576		74,576	
Subtotal -- State Special Revenue	\$172,437	8.03%	\$425,067	19.51%	\$433,259	20.34%
CSD Federal Indirect	\$108,512		\$130,750		\$105,000	
Oil and Gas Federal						
Subtotal -- Federal	\$108,512	5.06%	\$130,750	6.00%	\$105,000	4.93%
Total Funding	\$2,146,247	100.00%	\$2,178,367	100.00%	\$2,129,880	100.00%

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				120,190					132,951	
Vacancy Savings				(50,151)					(50,534)	
Inflation/Deflation				(4,240)					(3,418)	
Fixed Costs				37,838					(43,080)	
Total Statewide Present Law Adjustments				\$103,637					\$35,919	
DP 5 - CSD Operating Adjustment										
0.00	17,334	0	0	17,334	0.00	24,812	0	0	24,812	
DP 696 - Data Network Fixed Cost Reduction										
0.00	(400)	0	0	(400)	0.00	(400)	0	0	(400)	
DP 698 - Rent Reduction - Use of Capitol Land Grant										
0.00	(196)	0	0	(196)	0.00	(192)	0	0	(192)	
DP 699 - Vacancy Savings at 4 Percent										
0.00	(22,523)	0	0	(22,523)	0.00	(22,650)	0	0	(22,650)	
Total Other Present Law Adjustments										
0.00	(\$5,785)	\$0	\$0	(\$5,785)	0.00	\$1,570	\$0	\$0	\$1,570	
Grand Total All Present Law Adjustments				\$97,852					\$37,489	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 5 - CSD Operating Adjustment - The legislature approved a general fund appropriation for miscellaneous base adjustments including: 1) rent; 2) janitorial increases; and 3) communications and travel for a trainer position that had been left vacant for 11 months to assist with vacancy savings.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 698 - Rent Reduction - Use of Capitol Land Grant - The legislature approved using Capitol Land Grant funds to augment rent payments made by tenants. Capital Land Grant funds are to be used for qualified maintenance and debt service payments of the General Services Program for state-owned facilities on the Capitol complex.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 3 - Missoula Office Re-Wiring										
21	0.00	0	0	25,750	25,750	0.00	0	0	0	0
DP 10 - General Fund Reduction Proposal										
21	0.00	(251,667)	251,667	0	0	0.00	(259,859)	259,859	0	0
DP 12 - NRIS Core Service Support										
21	0.00	49,155	0	0	49,155	0.00	49,155	0	0	49,155
DP 13 - Debt Service to Reimburse MT Science Institute										
21	0.00	0	0	0	0	0.00	38,000	0	0	38,000
DP 689 - FTE Reduction										
21	0.00	0	0	0	0	0.00	0	0	0	0
DP 690 - Personal Services General Fund Reduction										
21	0.00	(107,169)	0	0	(107,169)	0.00	(107,543)	0	0	(107,543)
DP 693 - Statewide Reduction in Travel										
21	0.00	(33,468)	0	0	(33,468)	0.00	(33,468)	0	0	(33,468)
Total	0.00	(\$343,149)	\$251,667	\$25,750	(\$65,732)	0.00	(\$313,715)	\$259,859	\$0	(\$53,856)

New Proposals

DP 3 - Missoula Office Re-Wiring - The legislature approved one-time, restricted authority to replace old wiring in the DNRC Missoula Forestry Complex to meet the current standard. The new wiring would provide the capacity for throughput up to 1 gigabit (billion bits) per second with a guaranteed lifetime of 20 years.

DP 10 - General Fund Reduction Proposal - The legislature approved a funding switch for the department. This package replaces general fund authority with state special revenue.

DP 12 - NRIS Core Service Support - The legislature approved authority for core services of the Natural Resource Information System (NRIS), which is Montana's clearinghouse for natural resource information. DNRC has not provided funding for NRIS core services. This funding will provide approximately 15.3 percent of funding for core operations based on historic use of services. DNRC uses NRIS for the natural heritage program for information on sensitive plant and animal lists for Montana, ecological communities, and GIS mapping of lands for easement purposes.

DP 13 - Debt Service to Reimburse MT Science Institute - The legislature approved a restricted appropriation from the general fund in fiscal 2003 to fund the debt service on a reimbursement of \$300,000 to the Montana Science Institute for improvements made by that organization to infrastructure of state buildings.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

DP 690 - Personal Services General Fund Reduction - The legislature reduced general fund personal services funding at a level equivalent to the general fund share of 1 percent of authorized FTE. No FTE were reduced.

DP 693 - Statewide Reduction in Travel - The legislature made a reduction in general fund each year equivalent to 10 percent of all general fund expenditures for travel in the fiscal 2000 budget base. The entire reduction was made to this division, with the allowance that the agency could reallocate this reduction among divisions when developing 2003 biennium operating plans.

Language

Item [NRIS Core Service Support] includes a total of \$98,310 for the 2003 biennium for the Montana Natural Resources Information System. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated.

Item [Centralized Services; Statewide Travel Reduction] includes a reduction of general fund of \$33,468 in fiscal year 2002 and \$33,468 in fiscal year 2003. This reduction is the equivalent of a 10 percent reduction in fiscal 2000 base budget travel expenses. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans.

Item [Centralized Services] includes a reduction of \$107,169 general fund in fiscal 2002 and \$107,543 general fund in fiscal 2003. The department may reallocate this reduction in funding among divisions when developing 2003 biennium operating plans. The Office of Budget and Program Planning shall provide a report that details reallocation to the Legislative Finance Committee by October 15 of each fiscal year.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	20.50	0.00	(3.00)	17.50	0.00	(3.00)	17.50	17.50
Personal Services	662,507	138,389	0	800,896	149,342	0	811,849	1,612,745
Operating Expenses	297,451	90,226	0	387,677	95,782	0	393,233	780,910
Equipment	27,678	0	0	27,678	0	0	27,678	55,356
Total Costs	\$987,636	\$228,615	\$0	\$1,216,251	\$245,124	\$0	\$1,232,760	\$2,449,011
State/Other Special	868,921	347,330	0	1,216,251	363,839	0	1,232,760	2,449,011
Federal Special	118,715	(118,715)	0	0	(118,715)	0	0	0
Total Funds	\$987,636	\$228,615	\$0	\$1,216,251	\$245,124	\$0	\$1,232,760	\$2,449,011

Program Description

The Oil and Gas Conservation Division administers the Montana oil and gas conservation laws to promote conservation and prevent waste in the recovery of these resources through regulation of exploration and production of oil and gas. The division: 1) issues drilling permits; 2) classifies wells; 3) establishes well spacing units and pooling orders; 4) inspects drilling, production, and seismic operations; 5) investigates complaints; 6) does engineering studies; 7) determines incremental production for enhanced recovery and horizontal wells to implement the tax incentive program for those projects; 8) operates the underground injection control program; 9) plugs orphan wells; and 10) collects and maintains complete well data and production information.

Funding

The state special revenue that funds this program comes from oil and gas well taxes and class II injection well annual operating fees. By statute (15-36-324, MCA), certain percentages of the oil production taxes and natural gas taxes are deposited to the account for the board's use. Under 82-11-131, MCA, the board can set the privilege and license tax up to 3/10 of 1 percent of the market value of each barrel of crude petroleum produced and of each 10,000 cubic feet of natural gas produced to comply with 15-36-324, MCA. Section 82-11-137, MCA, provides for a maximum \$300 annual operating fee for each class II injection well. The Board of Oil and Gas Conservation set the fee at \$200. State special revenue funds provided nearly 88.0 percent of the funding in fiscal 2000, while federal special revenue was used to fund 12.0 percent. Federal funding will not be utilized in the 2003 biennium. Table 4 provides funding details for this program.

Table 4 Natural Resources and Conversation Oil and Gas Conservation						
	Actual FY 2000	Percent of Total	Legislative Budget FY 2002	Percent of Total	Legislative Budget FY 2003	Percent of Total
Oil & Gas ERA	\$868,921		\$1,216,251		\$1,232,760	
Subtotal -- State Special Revenue	\$868,921	87.98%	\$1,216,251	100.00%	\$1,232,760	100.00%
Oil and Gas Federal	\$118,715		\$0		\$0	
Subtotal -- Federal	\$118,715	12.02%	\$0	0.00%	\$0	0.00%
Total Funding	\$987,636	100.00%	\$1,216,251	100.00%	\$1,232,760	100.00%

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds		FTE	General	State Special	Federal Special	Total Funds
Personal Services				157,519						163,845
Vacancy Savings				(22,370)						(22,561)
Inflation/Deflation				(2,472)						(2,203)
Fixed Costs				8,615						8,437
Total Statewide Present Law Adjustments				\$141,292						\$147,518
DP 6 - Operating Adjustments										
	0.00	0	84,243	0	84,243	0.00	0	89,708	0	89,708
DP 10 - Personal Services Adjustment										
	0.00	0	13,671	0	13,671	0.00	0	18,552	0	18,552
DP 696 - Data Network Fixed Cost Reduction										
	0.00	0	(160)	0	(160)	0.00	0	(160)	0	(160)
DP 699 - Vacancy Savings at 4 Percent										
	0.00	0	(10,431)	0	(10,431)	0.00	0	(10,494)	0	(10,494)
Total Other Present Law Adjustments										
	0.00	\$0	\$87,323	\$0	\$87,323	0.00	\$0	\$97,606	\$0	\$97,606
Grand Total All Present Law Adjustments				\$228,615						\$245,124

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 6 - Operating Adjustments - The legislature approved a one-time appropriation for operating expense increases not included in the base budget. Major adjustments include contracted services related to the Risk Based Data Management System, EIS updates, mowing, and maintenance; supplies, communications, travel, and vehicle maintenance; and mailing, printing, and travel costs associated with a coal bed methane-related programmatic EIS update.

DP 10 - Personal Services Adjustment - The legislature approved an appropriation for personal services increases that will be incurred in the 2003 biennium but are not reflected in the base budget because they are not part of the pay plan. Per diem, salaries, and benefits are reflected in the increase for the Board's three exempt positions.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction 22	(3.00)	0	0	0	0	(3.00)	0	0	0	0
Total	(3.00)	\$0	\$0	\$0	\$0	(3.00)	\$0	\$0	\$0	\$0

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The department is authorized to decrease state special revenue in the Underground Injection Control program and to increase federal special revenue by a like amount when the amount of federal EPA funds available for the program becomes known. Any federal special revenue funds are to be spent before state special revenue funds.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	22.00	0.00	1.00	23.00	0.00	1.00	23.00	23.00
Personal Services	873,768	115,379	36,106	1,025,253	120,810	36,259	1,030,837	2,056,090
Operating Expenses	614,349	245,007	346,918	1,206,274	150,300	380,565	1,145,214	2,351,488
Equipment	48,348	0	0	48,348	0	0	48,348	96,696
Local Assistance	221,000	0	34,000	255,000	0	0	221,000	476,000
Grants	889,760	0	211,000	1,100,760	0	155,000	1,044,760	2,145,520
Benefits & Claims	1,600,977	(1,100,977)	0	500,000	(1,100,977)	0	500,000	1,000,000
Transfers	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$4,248,202	(\$740,591)	\$628,024	\$4,135,635	(\$829,867)	\$571,824	\$3,990,159	\$8,125,794
General Fund	2,871,886	(969,462)	245,424	2,147,848	(1,094,647)	289,523	2,066,762	4,214,610
State/Other Special	1,226,064	217,472	382,600	1,826,136	253,381	282,301	1,761,746	3,587,882
Federal Special	150,252	11,399	0	161,651	11,399	0	161,651	323,302
Total Funds	\$4,248,202	(\$740,591)	\$628,024	\$4,135,635	(\$829,867)	\$571,824	\$3,990,159	\$8,125,794

Program Description

The Conservation and Resource Development Division is responsible for the administration of the Conservation District Act, State Grazing District Act, and numerous grant and loan programs. The division provides technical and financial assistance to local governments, state agencies, and private citizens for the conservation, development, protection, and management of natural resources throughout the state.

Funding

The division is funded with general fund, state special revenue, and federal revenue. Table 5 shows the funding sources of the division. This program is primarily funded with general fund, coal severance taxes, RIT accounts, miscellaneous state special revenue fund, federal drinking water and water pollution control funds, and other miscellaneous federal sources.

Table 5
Natural Resources and Conservation
Conservation and Resources Development

	Actual FY 2000	Percent of Total	Legislative Budget FY 2002	Percent of Total	Legislative Budget FY 2003	Percent of Total
General Fund	\$2,871,886		\$2,147,848		\$2,066,762	
Subtotal -- General Fund	\$2,871,886	67.60%	\$2,147,848	51.94%	\$2,066,762	51.80%
Rangeland Improvement Loans	\$24,647		\$45,000		\$45,000	
Treasure State Endowment	\$24,969		\$26,000		\$26,000	
Renewable Resources Grant/Loan	\$290,956		\$314,808		\$367,839	
Go94B/Ban 93D Adm (1994 Gen. Obligation Bonds	\$10,503		\$12,003		\$12,003	
Coal Sev. Tax Shared SSR	\$627,135		\$752,135		\$652,135	
Grazing District Fees	\$19,246		\$70,754		\$0	
Reclamation and Development	\$228,608		\$605,436		\$658,769	
Subtotal -- State Special Revenue	\$1,226,064	28.86%	\$1,826,136	44.16%	\$1,761,746	44.15%
Res Devel & Cons - Fed	\$34,751		\$35,650		\$35,650	
Wastewater Treatment Grant	\$52,500		\$57,750		\$57,750	
EPA- St. Revolving Fund-Drinking Water 1998 Grant	\$63,001		\$68,251		\$68,251	
Subtotal -- Federal	\$150,252	3.54%	\$161,651	3.91%	\$161,651	4.05%
Total Funding	\$4,248,202	100.00%	\$4,135,635	100.00%	\$3,990,159	100.00%

Present Law Adjustments										
Fiscal 2002					Fiscal 2003					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				153,691					159,348	
Vacancy Savings				(28,381)					(28,551)	
Inflation/Deflation				2,988					4,997	
Fixed Costs				3,801					3,593	
Total Statewide Present Law Adjustments				\$132,099					\$139,387	
DP 1 - Crow Settlement	0.00	(100,977)	0	0	(100,977)	0.00	(100,977)	0	0	(100,977)
DP 3 - Crow Tribe Settlement	0.00	(1,000,000)	0	0	(1,000,000)	0.00	(1,000,000)	0	0	(1,000,000)
DP 15 - Operating Resource Development Bureau	0.00	20,000	43,500	10,500	74,000	0.00	20,000	43,500	10,500	74,000
DP 20 - Rangeland Management Conservation	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 23 - Operating Conservation Dist. Bureau	0.00	56,000	0	0	56,000	0.00	56,000	0	0	56,000
DP 37 - Grass Conservation Commission	0.00	45,000	51,508	0	96,508	0.00	0	0	0	0
DP 696 - Data Network Fixed Cost Reduction	0.00	(290)	0	0	(290)	0.00	(290)	0	0	(290)
DP 699 - Vacancy Savings at 4 Percent	0.00	(9,859)	(3,072)	0	(12,931)	0.00	(9,901)	(3,086)	0	(12,987)
Total Other Present Law Adjustments	0.00	(\$975,126)	\$91,936	\$10,500	(\$872,690)	0.00	(\$1,020,168)	\$40,414	\$10,500	(\$969,254)
Grand Total All Present Law Adjustments				(\$740,591)					(\$829,867)	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Crow Settlement - The legislature approved a reduction in authority to reflect interest costs on the Crow settlement. The June 1999 Special Session of the Montana legislature approved the water rights and coal severance tax litigation settlement with the Crow Tribe. The state also authorized a "contribution to settlement" of \$15 million. "The State agrees to contribute the sum of \$15 million, in equal annual installments for a period of no more than 15 years beginning July 1, 1999, to a fund for the use and benefit of the Tribe." Pending final effectiveness of the compact, these funds are paid into escrow. Accordingly, the Department of Natural Resources and Conservation would have base expenditures of \$1.5 million in fiscal years 2002 and 2003. However, the department would have no interest costs in the amount of \$100,977 from the general fund to continue to meet the State of Montana's obligations under this settlement.

DP 3 - Crow Tribe Settlement - The legislature approved a \$1.0 million reduction to general fund to reduce the Crow Tribe base from \$1.5 million to \$500,000 in fiscal years 2002 and 2003. This reduction will put the state on track to pay the settlement over a 15-year period rather than on an accelerated 10-year period.

DP 15 - Operating Resource Development Bureau - The legislature approved authority to increase operating expenses for the Resource Development Bureau to include anticipated costs not in the base budget. These items include the following:

1. the Irrigation Development program was in a startup phase during fiscal 2000. As a result, the base year reflects only six months of operating expenses. Consequently, communications, travel, and rent will be adjusted to reflect annualized figures;
2. rent costs in non-state buildings in Helena, Billings, and Miles City are expected to increase 5 percent per year in the next biennium; and
3. additional funds were added for overtime costs for the bureau due to expected workloads in the renewable resource grant and state revolving fund, and reclamation and development grant programs;

DP 20 - Rangeland Management Conservation - The legislature approved authority to contract with the Natural Resource Conservation Service (NRCS) for statewide rangeland management support. The Conservation And Resource Development Division (CARDD) has entered into a contract with the NRCS to cost share the services of a federal employee to be assigned to CARDD as a Rangeland Coordinator. The federal agency is requiring an increased cost share from the state from \$15,000 in the current base to \$30,000 in fiscal 2002. This increase will fund one-third of the total cost of the contract. Federal support makes up the other two-thirds

DP 23 - Operating Conservation Dist. Bureau - The legislature approved authority to fund operating expenses not included in the base budget. Items include:

1. the small landowner program workshops, which include up to nine sessions per workshop series, are expected to increase from 5 per year in the 2001 biennium to 10 per year in the 2003 biennium. Consequently, travel, supplies, and contracted services expenses are anticipated to increase; and
2. overtime is expected because the number of administrative and watershed grant program projects have increased to 223. Because of additional funding, the grant administration workload is expected to increase by an additional 20 to 25 projects per year.

DP 37 - Grass Conservation Commission - The legislature approved a biennial appropriation to fund travel and per diem for the Grass Conservation Commission, staffing, and administrative support functions. The Montana Grass Conservation Commission is administratively attached to DNRC and is composed of five members appointed by the Governor. The Grass Commission did not get a commissioner and staff in place until nine months into fiscal 2000. Therefore, base expenditures did not reflect a full year of operations.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 4 - Irrigation Assistance Program										
23	0.00	140,000	0	0	140,000	0.00	150,000	0	0	150,000
DP 5 - Yellowstone River Conservation District Council										
23	0.00	53,438	17,812	0	71,250	0.00	52,538	17,512	0	70,050
DP 6 - Regional Water System Coordinator										
23	1.00	0	52,054	0	52,054	1.00	0	52,054	0	52,054
DP 10 - Dry Prairie Rural Water Project										
23	0.00	0	99,720	0	99,720	0.00	0	99,720	0	99,720
DP 11 - North Central MT Regional Water Authority										
23	0.00	125,000	0	0	125,000	0.00	125,000	0	0	125,000
DP 13 - Eastern Plains RC&D										
23	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 25 - Gallatin, Park, and Meagher Counties RC&D										
23	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 26 - Sheridan County Conservation District										
23	0.00	0	0	0	0	0.00	35,000	0	0	35,000
DP 27 - Coal Tax Allocation to Conservation Districts										
23	0.00	0	100,000	0	100,000	0.00	0	0	0	0
DP 28 - Funding Switch										
23	0.00	0	0	0	0	0.00	0	0	0	0
DP 29 - General fund switch to reclamation and develop.										
23	0.00	(88,014)	88,014	0	0	0.00	(88,015)	88,015	0	0
Total	1.00	\$245,424	\$382,600	\$0	\$628,024	1.00	\$289,523	\$282,301	\$0	\$571,824

New Proposals

DP 4 - Irrigation Assistance Program - The legislature approved a one-time appropriation for grant funds to help defray the cost of planning efforts for new irrigation developments. This authority will provide funds for preliminary engineering, environmental review, local coordination, creation of irrigation districts, and other planning costs. The goal is to increase the number of acres irrigated to contribute to the goal of increasing the value of Montana agriculture.

DP 5 - Yellowstone River Conservation District Council - The legislature approved an appropriation to coordinate studies about natural resources issues in the Yellowstone River Watershed.

DP 6 - Regional Water System Coordinator - The legislature approved a one-time-only appropriation of \$52,054 in each year of the biennium that would be used to hire one FTE and pay operating expenses for a regional water coordinator. This staff member would coordinate state agency activities with the two regional water systems. The purpose of this effort is to assist in obtaining and administering state funding and to provide a point of contact between the local regional systems and the state agencies. Funding is appropriated from the reclamation and development fund.

DP 10 - Dry Prairie Rural Water Project - The legislature approved a one-time appropriation to negotiate agreements and to work on engineering and environmental planning for the Fort Peck Dry Prairie Rural Water System project. Contracted service funds will be passed through to the Dry Prairie Regional Water Authority for costs to administer this regional water system project. In the 2003 biennium, goals will include passage of federal legislation authorizing the project, seeking initial federal appropriations to begin final design of the project, and beginning the construction of the project.

DP 11 - North Central MT Regional Water Authority - The legislature approved a one-time appropriation to negotiate agreements and to work on engineering and environmental planning for the Rocky Boys North Central Regional Rural Water System project. This regional rural water project will provide drinking water to the Rocky Boys Reservation and approximately 20 communities in North Central Montana.

Contracted service funds will be passed through to the North Central Regional Water Authority for salaries, travel, communications, supplies, and other costs necessary to administer this regional water system project. The authority received funding in the 2001 biennium for these purposes. Accomplishments include the formation of the Water Authority, final draft of federal authorization legislation, and initiation of the formal negotiation of a water service agreement between the United States, Rocky Boys Reservation, and the Water Authority.

DP 13 - Eastern Plains RC&D - The legislature approved a one-time appropriation to fund the Eastern Plains Resource Conservation & Development (RC&D) to administer a community project startup grant program to sixteen eastern Montana counties.

DP 25 - Gallatin, Park, and Meagher Counties RC&D - The legislature approved a one-time appropriation from the general fund for funding the application phase of the development of a Resource Conservation & Development Area (RC&D) in Gallatin, Park, and Meagher Counties. The funding will be used to develop an application in anticipation of developing the RC&D. These funds would be used in conjunction with federal funding to provide travel, communications, per diem, and support costs related to meetings and planning sessions in local communities.

DP 26 - Sheridan County Conservation District - The legislature approved a one-time appropriation to fund the Sheridan County Conservation District (SCCD) to develop a water management plan, monitor and compile water resource data, map hydro-geologic features, and interpret water resource data for potential impacts by irrigation.

DP 27 - Coal Tax Allocation to Conservation Districts - The legislature approved a biennial appropriation to allocate \$100,000 of the 8.36 percent Coal Tax allocation to Conservation Districts

DP 28 - Funding Switch - The legislature approved a funding switch from the renewable resources fund to the reclamation and development account.

DP 29 - General Fund Switch to Reclamation and Development - The legislature approved a funding switch from general fund into the RIT reclamation and development account.

Language

The department is appropriated up to \$600,000 for the 2003 biennium from the state special revenue account established in 85-1-604 for the purchase of prior liens on property held as loan security as provided in 85-1-618.

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the water pollution control state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-5-1113(3)(b).

During the 2003 biennium, up to \$100,000 of excess loan loss reserve money in the drinking water state revolving fund is appropriated to make grants to aid in the feasibility of projects as authorized in 75-6-224(3)(b).

The department is authorized to decrease federal special revenue money in the pollution control and the drinking water revolving fund loan programs and to increase state special revenue money by a like amount within the special administration account.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	112.50	2.75	(2.75)	112.50	2.75	(2.75)	112.50	112.50
Personal Services	4,575,339	222,469	8,323	4,806,131	248,366	8,361	4,832,066	9,638,197
Operating Expenses	1,823,738	3,750,620	211,425	5,785,783	160,054	306,425	2,290,217	8,076,000
Equipment	24,793	(500)	0	24,293	(500)	0	24,293	48,586
Capital Outlay	0	0	0	0	0	0	0	0
Grants	0	0	120,000	120,000	0	120,000	120,000	240,000
Debt Service	376,341	93,402	0	469,743	93,602	0	469,943	939,686
Total Costs	\$6,800,211	\$4,065,991	\$339,748	\$11,205,950	\$501,522	\$434,786	\$7,736,519	\$18,942,469
General Fund	5,693,470	236,599	0	5,930,069	298,013	0	5,991,483	11,921,552
State/Other Special	971,226	3,723,027	170,000	4,864,253	96,114	265,000	1,332,340	6,196,593
Federal Special	135,515	106,365	169,748	411,628	107,395	169,786	412,696	824,324
Total Funds	\$6,800,211	\$4,065,991	\$339,748	\$11,205,950	\$501,522	\$434,786	\$7,736,519	\$18,942,469

Program Description

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. The division also develops and recommends water policy to the director, Governor, and legislature. The division consists of an administration unit and four bureaus: Water Management Bureau, Water Rights Bureau, State Water Projects Bureau, and the Water Operations Bureau.

Funding

The Water Resources Division is funded with general fund, state special revenue, and a minor amount of federal funds. Table 6 shows the components of the Water Resources Division and associated funding.

Table 6 Natural Resources and Conservation Water Resources						
	Actual FY 2000	Percent of Total	Legislative Budget FY 2002	Percent of Total	Legislative Budget FY 2003	Percent of Total
General Fund	\$5,693,470		\$5,930,069		\$5,991,483	
Subtotal -- General Fund	\$5,693,470	83.72%	\$5,930,069	52.92%	\$5,991,483	77.44%
Miscellaneous State Special Rev.	\$214,803		\$308,205		\$428,405	
Broadwater O & M	\$253,088		\$336,332		\$308,134	
CST 90 A Fisheries Mitigation	\$0		\$32,000		\$32,000	
Water Storage State Special Rev. Acct	\$0		\$500,000			
Water Project Lands Lease Account	\$1,850		\$1,850		\$1,850	
General License	\$59,438		\$60,911		\$62,008	
Water Right Appropriation	\$223,267		\$289,147		\$264,138	
State Project Hydro Earnings	\$161,538		\$3,261,538		\$161,538	
Water Well Contractors	\$57,242		\$74,270		\$74,267	
Subtotal -- State Special Revenue	\$971,226	14.28%	\$4,864,253	43.41%	\$1,332,340	17.22%
Water Resources -- FED	\$22,996		\$23,000		\$23,000	
State Assistance Program	\$112,519		\$363,628		\$364,696	
BOR Beaverhead Groundwater	\$0		\$25,000		\$25,000	
Subtotal -- Federal	\$135,515	1.99%	\$411,628	3.67%	\$412,696	5.33%
Total Funding	\$6,800,211	100.00%	\$11,205,950	100.00%	\$7,736,519	100.00%

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				332,126						358,760
Vacancy Savings				(135,011)						(135,810)
Inflation/Deflation				(8,071)						(6,689)
Fixed Costs				55,311						72,135
Total Statewide Present Law Adjustments				\$244,355						\$288,396
DP 2 - State Water Project Rehabilitation	0.00	0	3,600,000	0	3,600,000	0.00	0	0	0	0
DP 22 - Dam Safety Improvement	2.75	0	0	81,845	81,845	2.75	0	0	82,177	82,177
DP 28 - Operating Expense Adjustments	0.00	20,148	41,865	0	62,013	0.00	22,911	43,165	0	66,076
DP 30 - Lease Vehicles - Program 24	0.00	33,275	4,842	0	38,117	0.00	49,174	6,308	0	55,482
DP 32 - Broadwater Hydropower Facility	0.00	0	62,000	0	62,000	0.00	0	32,000	0	32,000
DP 59 - Federal Budget Amendment	0.00	0	0	25,000	25,000	0.00	0	0	25,000	25,000
DP 100 - Water Well Litigation	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
DP 696 - Data Network Fixed Cost Reduction	0.00	(1,180)	0	0	(1,180)	0.00	(1,180)	0	0	(1,180)
DP 699 - Vacancy Savings at 4 Percent	0.00	(56,076)	(5,599)	(484)	(62,159)	0.00	(56,319)	(5,624)	(486)	(62,429)
Total Other Present Law Adjustments	2.75	(\$3,833)	\$3,719,108	\$106,361	\$3,821,636	2.75	\$14,586	\$91,849	\$106,691	\$213,126
Grand Total All Present Law Adjustments					\$4,065,991					\$501,522

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - State Water Project Rehabilitation - The legislature approved a biennial, restricted, one-time-only appropriation to perform rehabilitation of Bair Dam and Nevada Creek Dam. Bair Dam is a high-hazard earthen embankment located on the North Fork of the Musselshell River near Checkerboard. Rehabilitation will include replacement of the spillway and outlet structures and stabilization of the rock-cut slope above the existing spillway. Nevada Creek Dam is an earthen embankment, high-hazard dam located near Helmville in Powell County. Rehabilitation will include replacement of the spillway structure with a new reinforced concrete structure designed to meet current dam safety standards; installation of additional drains in the dam to collect seepage and ensure it does not threaten the integrity of the dam; and extension of the end of the outlet pipe to facilitate installation of a seepage collection system and a buttress against the toe of the dam slope to improve stability.

Funding for these rehabilitation activities will come from the Broadwater hydropower earnings account (\$3.1 million) and the water storage account (\$0.5 million). In addition to the state funding, respective water user associations will provide the estimated \$1.2 million remaining funding necessary to complete the project.

The Broadwater Hydropower Facility is a DNRC owned and operated hydropower facility located near Toston. This facility will produce a maximum capacity of 10 megawatts and the department contracts with the Montana Power Company to sell the energy. Earnings are deposited to the Broadwater hydropower earnings account and used to pay for rehabilitating other state-owned water projects.

DP 22 - Dam Safety Improvement - The legislature approved a one-time, restricted appropriation to fund 2.75 FTE to assist dam owners with maintenance inspections on dams, gather field data to update the state inventory of dams, provide training for state dam safety engineers, and complete seismic evaluations on dam designs. The Federal Emergency Management Agency (FEMA) is expected to continue providing funding for this purpose.

DP 28 - Operating Expense Adjustments - The legislature approved authority for various base adjustments for operating expenses including training, board member per diem, consulting services, janitorial services, computer hardware and software, copy machines, postage, lodging, rent, and minor equipment.

DP 30 - Lease Vehicles - Program 24 - The legislature approved authority to lease ten vehicles to replace eight agency-owned vehicles in fiscal 2002 and replace an additional two vehicles in fiscal 2003 with leased vehicles from the motor pool. Lease costs include gas, liability insurance, and all vehicle maintenance.

DP 32 - Broadwater Hydropower Facility - The legislature approved one-time-only funding for two Federal Energy Regulatory Commission (FERC) projects at the Broadwater Hydropower Facility. The facility's FERC hydropower license requires preparation and submittal of a comprehensive dam safety report every five years. A FERC-approved consultant must conduct the dam safety evaluation and submit a report by July 1, 2002. The FERC license also requires a fisheries evaluation and report to be submitted to FERC regarding the impacts of the construction of the Broadwater Power Project. Funding is from the Broadwater operations and maintenance account and the fisheries mitigation account.

DP 59 - Federal Budget Amendment - The legislature approved funding for projects that fall under a Bureau of Reclamation grant award. The Bureau of Reclamation has approved a federal award for investigations on Twin Lakes Dam and measuring flows on the Big Hole River and its tributaries. The studies will assist land managers in the optimization of the basins' water resources. The federal award extends to September 30, 2003.

DP 100 - Water Well Litigation - The legislature approved a restricted appropriation that will be used to pay legal costs associated with alleged violations of water well construction standards. Funds for these allegations and potential litigation are not included in the base budget for the Water Well Contractors program.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				FTE	Fiscal 2003			
		General	State Special	Federal Special	Total Funds		General	State Special	Federal Special	Total Funds
DP 5 - Water Right Permit Verification										
24	0.00	0	170,000	0	170,000	0.00	0	145,000	0	145,000
DP 8 - Flood Damage Reduction										
24	0.25	0	0	169,748	169,748	0.25	0	0	169,786	169,786
DP 60 - HB 397 -- Clark Fork River Task Force										
24	0.00	0	0	0	0	0.00	0	120,000	0	120,000
DP 689 - FTE Reduction										
24	(3.00)	0	0	0	0	(3.00)	0	0	0	0
Total	(2.75)	\$0	\$170,000	\$169,748	\$339,748	(2.75)	\$0	\$265,000	\$169,786	\$434,786

New Proposals

DP 5 - Water Right Permit Verification - The legislature approved a one-time appropriation in each year of the biennium for water rights verification. The verification backlog of 8,200 is expected to be eliminated within four years. Funding

will come from the water rights appropriation account.

DP 8 - Flood Damage Reduction - The legislature approved a one-time, restricted appropriation to fund a flood damage reduction program and 0.25 FTE. The program will develop maps of floodways and floodplains to illustrate flood-hazard information regarding home construction and other activities in flood-prone areas and provide flood mitigation assistance to communities.

DP 60 - HB 397 -- Clark Fork River Task Force - The legislature appropriated one-time-only funding to implement HB 397. The appropriation is contingent upon the Governor's certification that the Resource Indemnity Trust (RIT) balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the Office of Budget and Program Planning is authorized to transfer up to \$120,000 in cash from the RIT to a state special revenue fund to be used for this purpose. It is the intent of the legislature that funds for this purpose will be the third priority for any money in excess of \$100 million in the RIT. The first \$500,000 is to be used for weed eradication and the next \$540,000 will be used to purchase securities for water treatment at the former Zortman and Landusky mines.

The RIT funds appropriated for this purpose will be used by the Clark Fork River Basin Task Force for: 1) contracted services to provide facilitation, meeting materials and renting sites, mailings and other communications, plan development tasks, and technical writing; 2) analysis, evaluation, and updating of existing water use data and studies; and 3) investigation and reporting on current basin water supply and water use. The funding will also cover travel and meeting costs of the task force members.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

During the 2003 biennium, up to \$1 million of funds currently in or to be deposited in the Broadwater replacement and renewal account is appropriated to the department for repairing or replacing equipment at the Broadwater Hydropower Facility.

During the 2003 biennium, up to \$70,000 of interest earned on the Broadwater water users account is appropriated to the department for the purpose of repair, improvement, or rehabilitation of the Broadwater-Missouri diversion project.

During the 2003 biennium, up to \$500,000 of funds currently in or to be deposited in the state project hydropower earnings account is appropriated for the purpose of repairing, improving, or rehabilitating department state water projects.

The department shall report back to the 2003 legislature to provide an update on the progress of the flood damage reduction project.

Item [Clark Fork River Task Force] is contingent upon passage and approval of House Bill No. 397. Item [Clark Fork River Task Force] is an appropriation from state special revenue funds in fiscal year 2003 that have been transferred from the Resource Indemnity Trust (RIT) fund. The appropriation is contingent upon the Governor's certification that the trust balance is in excess of \$100 million. Upon meeting the contingency in fiscal year 2003, the Office of Budget and Program Planning is authorized to transfer the \$120,000 in cash from the RIT to a state special revenue fund to be used for this purpose. The cash for this purpose cannot be transferred until \$500,000 has been transferred for the purpose of weed eradication and \$540,000 has been transferred for the purpose of purchasing securities for water treatment at the former Zortman and Landusky mines.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	12.00	0.00	(1.00)	11.00	0.00	(1.00)	11.00	11.00
Personal Services	499,242	66,066	0	565,308	69,630	0	568,872	1,134,180
Operating Expenses	144,970	13,983	0	158,953	12,782	0	157,752	316,705
Equipment	0	6,000	0	6,000	10,500	0	10,500	16,500
Total Costs	\$644,212	\$86,049	\$0	\$730,261	\$92,912	\$0	\$737,124	\$1,467,385
General Fund	644,212	86,049	0	730,261	92,912	0	737,124	1,467,385
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$644,212	\$86,049	\$0	\$730,261	\$92,912	\$0	\$737,124	\$1,467,385

Program Description

The Reserved Water Rights Compact Commission (RWRCC) was created by the legislature in 1979 as part of the water rights adjudication effort. It consists of four members appointed by the Governor, two by the President of the Senate, two by the Speaker of the House of Representatives, and one by the Attorney General. Members serve for four years. The commission negotiates water rights with the Indian tribes and federal agencies which claim federal reserved water rights within the state to establish a formal agreement (compact) on the amount of water to be allocated to each interest.

Funding

The Reserved Water Rights Compact Commission is funded entirely with general fund.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				85,558					89,166
Vacancy Savings				(16,270)					(16,378)
Inflation/Deflation				1,250					2,005
Fixed Costs				3,596					3,399
Total Statewide Present Law Adjustments				\$74,134					\$78,192
DP 7 - RWRCC Per Diem & Operating	0.00	13,167	0	13,167	0.00	11,508	0	0	11,508
DP 12 - Equipment Replacement	0.00	6,000	0	6,000	0.00	10,500	0	0	10,500
DP 696 - Data Network Fixed Cost Reduction	0.00	(130)	0	(130)	0.00	(130)	0	0	(130)
DP 699 - Vacancy Savings at 4 Percent	0.00	(7,122)	0	(7,122)	0.00	(7,158)	0	0	(7,158)
Total Other Present Law Adjustments	0.00	\$11,915	\$0	\$11,915	0.00	\$14,720	\$0	\$0	\$14,720
Grand Total All Present Law Adjustments				\$86,049					\$92,912

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 7 - RWRCC Per Diem & Operating - The legislature approved funding for per diem and operating costs that are not included in the base.

DP 12 - Equipment Replacement - The legislature approved a one-time-only appropriation to upgrade a Sun Unix Workstation. An upgrade to the current Unix computer system (hardware/software) will be used to increase Reserve Water Rights Compact Commission's capabilities to utilize global information system data.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 689 - FTE Reduction										
25	(1.00)	0	0	0	0	(1.00)	0	0	0	0
Total	(1.00)	\$0	\$0	\$0	\$0	(1.00)	\$0	\$0	\$0	\$0

New Proposals

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Leg. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Leg. Budget Fiscal 2003	Total Leg. Budget Fiscal 02-03
FTE	292.28	(0.66)	(1.27)	290.35	(0.66)	(0.27)	291.35	291.35
Personal Services	10,146,644	799,826	33,290	10,979,760	865,618	67,079	11,079,341	22,059,101
Operating Expenses	4,831,419	1,552,049	858,000	7,241,468	1,466,748	104,352	6,402,519	13,643,987
Equipment	653,707	66,632	75,000,000	75,720,339	57,132	0	710,839	76,431,178
Capital Outlay	847	0	0	847	0	0	847	1,694
Transfers	355,419	33,750	0	389,169	33,750	0	389,169	778,338
Debt Service	13,424	101,000	0	114,424	101,000	0	114,424	228,848
Total Costs	\$16,001,460	\$2,553,257	\$75,891,290	\$94,446,007	\$2,524,248	\$171,431	\$18,697,139	\$113,143,146
General Fund	5,454,428	665,256	75,048,290	81,167,974	595,469	43,431	6,093,328	87,261,302
State/Other Special	9,552,704	1,597,436	15,000	11,165,140	1,628,836	50,000	11,231,540	22,396,680
Federal Special	994,328	290,565	828,000	2,112,893	299,943	78,000	1,372,271	3,485,164
Total Funds	\$16,001,460	\$2,553,257	\$75,891,290	\$94,446,007	\$2,524,248	\$171,431	\$18,697,139	\$113,143,146

Program Description

Forestry Division

The Forestry Division is responsible for planning and implementing forestry programs statewide. Forestry responsibilities include protecting Montana's natural resources from wildfire, regulating forest practices, and providing a variety of services to private forest landowners. Specific programs include:

1. Fire and Aviation Management - Protecting 50 million acres of state and private forest and watershed lands from wildfire through a combination of direct protection and county support;
2. Forest Practice Regulation - Enforcing Montana's streamside management zone regulations and monitoring the voluntary best management practices program on all forests in Montana;
3. Administering Montana's Fire Hazard Reduction Law - Ensuring that the fire hazard created by logging and other forest management operations on private forest lands is adequately reduced, or that additional fire protection is provided until the hazard is reduced;
4. Providing Forestry Services - Providing technical forestry assistance to private landowners, businesses, and communities; and
5. Tree and Shrub Nursery - Growing and selling seedlings for conservation and reforestation plantings on state and private lands in Montana.

Trust Lands

The Trust Land Management Division provides for the administration and management of trust lands granted to the State of Montana by the Enabling Act of 1889. These lands currently total 5.2 million surface acres and 6.2 million mineral acres. Additionally, the division is responsible for the administration of approximately 6,000 miles (40,000+ acres) of beds of navigable waterways. The Trust Land Management Division is divided into four primary programs: forest management, agriculture and grazing management, special use management, and minerals management.

Funding

Forestry and Trust Lands Division

Forestry

The Forestry Division contains six programs funded with general fund, state special revenue, and federal funds. General fund, as a part of the funding for the Air Operations Bureau, is transferred to and spent from the bureau's proprietary fund account for fixed costs. Although the legislature no longer appropriates the proprietary funds, it does set the hourly rates charged for use of department aircraft. Revenue from this charge is also deposited in the proprietary account.

State special revenue generated from the sale of nursery stock and forest improvement fees is used to fund the nursery program. The Land Board approves the variable forest improvement fee when timber sales are approved based on the state's expected costs of slash disposal, road access and maintenance, and reforestation. Landowner fire protection taxes are paid by private forest landowners for wildfire protection. The department is required by statute to collect up to one-third of the state's fire protection appropriation from private landowners (Section 76-13-207, MCA). The other two-thirds is funded with general fund and federal funds. The department is required to set the tax so that collections equal the amount appropriated by the legislature. Other state special revenues include money from the sale of nursery stock and slash removal assessments on private landowners who cut timber. Fees of \$25 for each slash hazard reduction agreement and \$0.60 per thousand board feet sold, plus forfeited fire hazard reduction bonds, are collected for use by the department.

Federal funds finance a portion of the fire protection, other services, and service forestry programs. General fund reimbursed from federal agencies to the state for the state's wildfire costs are appropriated at \$350,000 federal funds each year. These funds are reimbursements received from federal agencies for general fund the department spent in assisting them in fire suppression and from equipment rental. Since these funds would have been deposited in the general fund, these appropriations reduce the amount of general fund deposits.

Trust Lands

State special revenue, generated from the sale of timber on state land, is the primary source of funding for the Trust Lands Division. The trust lands division is primarily funded with trust fund revenues, timber sales, and forest resources fees. The remaining funding is made up of recreational use and state lands resource development. General fund is used to fund salaries for support staff. Table 7 details the funding of the Forestry and Trust Lands Division.

	Actual FY 2000	Percent of Total	Legislative Budget FY 2002	Percent of Total	Legislative Budget FY 2003	Percent of Total
General Fund	\$5,454,428		\$6,167,974		\$6,093,328	
General Fund Guarantee Account	\$0		\$75,000,000		\$0	
Subtotal -- General Fund	\$5,454,428	34.09%	\$81,167,974	85.94%	\$6,093,328	32.59%
Forest Resources Nursery	\$272,803		\$387,665		\$403,475	
State Fire Protection Taxes	\$2,058,988		\$2,262,878		\$2,225,373	
Forestry -- Slash Disposal	\$139,990		\$171,905		\$173,836	
DSL Recreational Use Account	\$46,280		\$46,418		\$46,604	
Forest Resources -- Timber Sales	\$1,637,343		\$2,006,507		\$2,110,834	
Forest Resources -- Forest Improvement	\$1,405,916		\$1,977,450		\$1,962,407	
State Lands Res Dev	\$419,261		\$530,972		\$531,962	
Trust Fund Revenues	\$3,572,123		\$3,781,345		\$3,777,049	
Subtotal -- State Special Revenue	\$9,552,704	59.70%	\$11,165,140	11.82%	\$11,231,540	60.07%
Forest Resources -- Fire	\$593,931		\$1,041,738		\$838,280	
Forest Resources -- PFA	\$400,397		\$871,155		\$533,991	
Trust Land Division -- Federal	\$0		\$200,000		\$0	
Subtotal -- Federal	\$994,328	6.21%	\$2,112,893	2.24%	\$1,372,271	7.34%
Total Funding	\$16,001,460	100.00%	\$94,446,007	100.00%	\$18,697,139	100.00%

Present Law Adjustments										
-----Fiscal 2002-----					-----Fiscal 2003-----					
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
Personal Services				1,275,629						1,344,241
Vacancy Savings				(309,958)						(312,017)
Inflation/Deflation				6,183						6,304
Fixed Costs				232,736						290,928
Total Statewide Present Law Adjustments				\$1,204,590						\$1,329,456
DP 3 - Debt Service - TLMD Database	0.00	0	101,000	0	101,000	0.00	0	101,000	0	101,000
DP 4 - Air Operations Adjustment	0.00	22,275	11,475	0	33,750	0.00	22,275	11,475	0	33,750
DP 5 - Forest Rehabilitation	0.00	0	177,500	0	177,500	0.00	0	140,500	0	140,500
DP 8 - Base Restoration	0.00	0	417,860	0	417,860	0.00	0	413,490	0	413,490
DP 9 - Assessment Re-write	0.00	79,200	40,800	0	120,000	0.00	0	0	0	0
DP 13 - Special Use Development	0.00	0	116,000	0	116,000	0.00	0	116,000	0	116,000
DP 14 - Increased Nursery Spending Authority	0.00	0	67,000	0	67,000	0.00	0	82,000	0	82,000
DP 18 - Increase In Operating Expenses	0.00	0	57,690	0	57,690	0.00	0	61,976	0	61,976
DP 19 - Leased Vehicles - TLMD	0.00	0	25,149	0	25,149	0.00	0	42,291	0	42,291
DP 21 - Federal Fire Reimbursement	0.00	0	0	229,684	229,684	0.00	0	0	229,684	229,684
DP 24 - Computer Equipment Upgrades	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 25 - Operating Increase/Fire & Aviation	0.00	8,108	4,022	12,500	24,630	0.00	8,108	4,022	7,500	19,630
DP 26 - Replacement Equipment	0.00	0	15,000	0	15,000	0.00	0	17,000	0	17,000
DP 27 - Phase II/Slash Programming	0.00	23,600	0	0	23,600	0.00	0	0	0	0
DP 29 - Interagency Support	0.00	0	0	36,324	36,324	0.00	0	0	36,324	36,324
DP 31 - Operating Adjustments/Other Service	0.00	26,368	0	0	26,368	0.00	24,768	0	0	24,768
DP 33 - Operating Increase/Service Forestry	0.00	2,522	0	5,178	7,700	0.00	2,522	0	5,178	7,700
DP 34 - Leased Vehicles - Program 35	0.00	0	0	0	0	0.00	7,068	0	5,960	13,028
DP 35 - Remote Weather Station	0.00	8,710	4,290	0	13,000	0.00	0	0	0	0
DP 61 - Inmate Crew	(0.66)	(12,740)	(6,369)	0	(19,109)	(0.66)	(12,791)	(6,394)	0	(19,185)
DP 696 - Data Network Fixed Cost Reduction	0.00	(2,530)	(213)	0	(2,743)	0.00	(2,530)	(213)	0	(2,743)
DP 699 - Vacancy Savings at 4 Percent	0.00	(48,053)	(91,172)	(7,511)	(146,736)	0.00	(48,273)	(91,601)	(7,547)	(147,421)
Total Other Present Law Adjustments										
	(0.66)	\$107,460	\$965,032	\$276,175	\$1,348,667	(0.66)	\$1,147	\$916,546	\$277,099	\$1,194,792
Grand Total All Present Law Adjustments					\$2,553,257					\$2,524,248

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 3 - Debt Service - TLMD Database - The legislature approved funding to pay the annual debt service for an intercap loan through the Board of Investments. Repayment on the loan begins in fiscal 2001, and so it is not reflected in the base

for fiscal 2000. The 1999 legislature appropriated \$101,000 in fiscal 2001 for the annual repayment of an intercap loan for the redesign of the Trust Land Management Database. The department can borrow up to \$600,000 through the loan program administered by the Board of Investments to be repaid at \$101,000 per year for seven years. The funding source is from the resource development account that receives money from a 3.0 percent charge against income generated by state trust lands (except timber sale revenue).

DP 4 - Air Operations Adjustment - The legislature approved funding for the fixed costs in the Air Operations Section of the Fire and Aviation Management Bureau through HB 2. These funds are then transferred into the Air Operations proprietary fund (HB 576), where they are used to fund fixed costs such as rent, salaries, and insurance.

DP 5 - Forest Rehabilitation - The legislature approved a one-time-only appropriation for forest rehabilitation including erosion control, road maintenance, and tree regeneration in the Sula State Forest. Fires that occurred during the summer of 2000 burned 14,000+ acres of state land in the Bitterroot Valley, including essentially the entirety of the Sula State Forest. The authority addresses only rehabilitation activities being planned for the Sula State Forest, including erosion control, maintenance on existing road systems, and tree regeneration in order to re-establish forest in the area.

DP 8 - Base Restoration - The legislature approved funding to restore forest management funding to that portion of the fiscal 2000 base for its timber sale program.

DP 9 - Assessment Re-write - The legislature approved a one-time-only, restricted appropriation to update the existing fire protection assessments computer system. The objective is to migrate from the mainframe databases to a completely personal computer database system. This objective was established because of the inability of mainframe databases to perform ad-hoc queries, the primitive interaction with the user, difficulty with training, lack of compatibility with Geographic Information System (GIS) applications, and the need to update the current PC based system.

DP 13 - Special Use Development - The legislature approved funding in the special uses program for development and infrastructure on several commercial leasing projects throughout the state. Many of the parcels now projected for development are currently producing minimum revenues (\$1 to \$25/acre). The department contends that development of these parcels into commercial leases would return revenues exceeding \$1,000/acre.

The primary activities that will be pursued are:

1. Statewide Transitional Lands Management Plan

The Special Use Bureau has started work on an environmental impact statement to guide the development of trust lands for commercial, recreational, wildlife habitat, and open space use. During the 2003 biennium, the department will hire private consultants to prepare components of the EIS, such as transportation planning and economic analysis. There will also be costs associated with public participation and EIS production and mailing. Estimated contracted services costs associated with the EIS are \$33,000 in fiscal 2002.

2. Kalispell - Section 36 Development

The school trust owns 500 acres immediately adjacent to the City of Kalispell suitable for commercial development. Current income from agricultural production earns \$15/acre. New commercial uses of the property could earn between \$1-\$2 per square foot. Infrastructure and marketing costs are estimated to be \$50,000 in each year of the biennium.

3. American Timber Mill Site Marketing

Due to the closure of the mill, the department will market the American Timber Mill site. American Timber currently employs 250 employees and contract workers. DNRC will market this site for a future use. Estimated marketing costs are \$3,000 in fiscal 2002.

4. Missoula - Reserve Street Development

The school trust owns two commercial lots along Reserve Street in Missoula. While current income production is zero, commercial use potential is \$58,000 annually. Estimated marketing costs in fiscal 2002 are \$5,000.

5. Belgrade Commerce Center-Plan for Development

The school trust owns 250 acres adjacent to the new interchange in Belgrade. This property earns \$15 per acre, while new, commercial uses of the property could earn over \$1 per square foot. Neighborhood planning, infrastructure engineering, and marketing costs are expected to be \$20,000 in fiscal 2002 and \$50,000 in fiscal 2003.

6. Billings - Neighborhood Plan

The school trust owns several sections adjacent to the City of Billings. DNRC will pursue a neighborhood planning effort to determine suitable uses. Also, DNRC will continue lot sales at the Continental Divide Subdivision and pursue a commercial lease at Columbus for the support of the DPHHS Foster Care Program.

DP 14 - Increased Nursery Spending Authority - The legislature approved an appropriation for an operating budget increase in anticipation of increased orders for conservation seedlings. Increased demand for this service coupled with a severe fire season is expected to increase the demand for seedlings.

DP 18 - Increase In Operating Expenses - The legislature approved funding for various increases in operating expenses. The amount approved reflects increased rent, a janitorial contract, weed control, in-state lodging, and catastrophic insurance coverage for the state's share of crops grown on state land.

DP 19 - Leased Vehicles - TLMD - The legislature approved funding for leased vehicles. The authority includes five new leased vehicles in fiscal 2002 and two additional new leased vehicles in fiscal 2003.

DP 21 - Federal Fire Reimbursement - The legislature approved a restricted appropriation to expend federal dollars received in support of federal fire suppression activities. These funds are referred to as the federal fire reimbursement and are received from federal agencies and other states for the use of DNRC personnel and equipment. DNRC provides assistance in managing emergency incidents, such as fire suppression activities. Only those funds received as reimbursement of personnel expenses (up to \$100,000) credited against the operational budget of the fire program or those funds received as payment under equipment use agreements (up to \$250,000) are considered federal fire reimbursement funds.

DP 24 - Computer Equipment Upgrades - The legislature approved funding to replace computer equipment throughout the division. The Trust Land Management Division has approximately 110 computers and is working under a replacement schedule of 4 - 5 years per computer. The division proposes to replace 20 - 25 computers per year. The existing base has sufficient funding to replace 10 -12 computers annually.

DP 25 - Operating Increase/Fire & Aviation - The legislature approved an appropriation to fund rental increases, weather station maintenance, additional utilities, the move of an existing facility, increased in-state lodging, and implementation of a Volunteers in Fire Prevention Program (VIP).

DP 26 - Replacement Equipment - The legislature approved a one-time-only appropriation to purchase various pieces of equipment.

DP 27 - Phase II/Slash Programming - The legislature approved a one-time appropriation to develop a computer program for all field forestry area and unit offices that would interface with the new statewide slash accounting program. The appropriation is for program development only. Installation in the 17 area and unit offices will be done by department IT staff.

DP 29 - Interagency Support - The legislature approved an appropriation to spend federal dollars received in support of interagency dispatch and support operations. The department fire management program operates a number of interagency fire dispatch and support centers in cooperation with federal agencies throughout the state. Centers that are primarily managed by the department receive federal funding for support.

DP 31 - Operating Adjustments/Other Service - The legislature approved funding for increased rent, utilities, communication, and janitorial contracted services costs to maintain current operating levels in forestry programs statewide.

DP 33 - Operating Increase/Service Forestry - The legislature approved funding for increases to the operating base for the community forestry program. The decision package includes funding for miscellaneous operating adjustments. The operating budget was under-spent in fiscal 2000 due to upgrades for two employees. The federal grant is expected to increase by \$3,500 per year beginning in fiscal 2002.

DP 34 - Leased Vehicles - Program 35 - The legislature approved funding to utilize the Montana Department of Transportation leased vehicle program instead of purchasing new vehicles. This authority is for two new vehicles in fiscal 2003.

DP 35 - Remote Weather Station - The legislature approved a one-time-only appropriation to acquire a Remote Automatic Weather Station (RAWS) for the Northwest Land Office to replace an existing manual operated station. This weather station will replace a manual station and would provide the Northwest Land Office fire program with inputs to calculate fire danger outputs that help drive decisions and preparedness for fire response.

DP 61 - Inmate Crew - The legislature approved a reduction in each year of the biennium to reflect an inability to begin the inmate fire suppression crew program due to concerns from the Department of Corrections. No expenditures are reflected in the base and this adjustment eliminates the .66 FTE.

DP 696 - Data Network Fixed Cost Reduction - The legislature approved fees and charges for data network support provided by the Information Services Division of the Department of Administration at a level lower than that proposed by the executive and used to develop the associated fixed cost budget requests. This adjustment removes the corresponding fixed costs from agency budgets.

DP 699 - Vacancy Savings at 4 Percent - The legislature approved increasing the statewide vacancy savings rate to 4 percent and including the state share of health insurance premiums in the calculation for determining the amount.

New Proposals										
Prgm	FTE	Fiscal 2002				Fiscal 2003				
		General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 9 - Non-Trust State Land Inventory & Administration										
35	1.00	48,290	0	0	48,290	1.00	43,431	0	0	43,431
DP 14 - Hazard Reduction Bond Forfeitures										
35	0.00	0	10,000	0	10,000	0.00	0	10,000	0	10,000
DP 15 - Forest Health Monitoring Program										
35	0.00	0	0	78,000	78,000	0.00	0	0	78,000	78,000
DP 16 - Habitat Conservation Plan										
35	0.00	0	0	200,000	200,000	0.00	0	0	0	0
DP 17 - Homeowner Defensible Space Audits										
35	0.00	0	0	200,000	200,000	0.00	0	0	0	0
DP 18 - Private Forest Land Owner Assistance										
35	0.00	0	0	350,000	350,000	0.00	0	0	0	0
DP 36 - SB 31 Revise State Trust Land Laws										
35	0.00	0	5,000	0	5,000	0.00	0	5,000	0	5,000
DP 38 - SB 354 -- Full Compensation for School Trust										
35	0.00	0	0	0	0	1.00	0	35,000	0	35,000
DP 63 - SB 495 -- Purchase of Mineral Rights										
35	0.00	75,000,000	0	0	75,000,000	0.00	0	0	0	0
DP 689 - FTE Reduction										
35	(2.27)	0	0	0	0	(2.27)	0	0	0	0
Total	(1.27)	\$75,048,290	\$15,000	\$828,000	\$75,891,290	(0.27)	\$43,431	\$50,000	\$78,000	\$171,431

New Proposals

DP 9 - Non-Trust State Land Inventory & Administration - The legislature approved authority for 1.0 FTE to perform an inventory and administer non-trust state land throughout the state. No summary inventory of non-trust state lands currently exists. The department receives from 5 to 15 requests per year from other agencies to conduct this research.

DP 14 - Hazard Reduction Bond Forfeitures - The legislature approved authority to spend hazard reduction bond forfeitures up to \$20,000 for the 2003 biennium to reduce slash hazards allowable under 76-13-410, MCA.

DP 15 - Forest Health Monitoring Program - The legislature approved a one-time-only, restricted appropriation to continue the forest-health monitoring program. The 1999 legislature approved expenditure of federal funds for the forest health-monitoring program as a one-time-only expenditure to utilize U.S. Forest Service funding to hire a private forest pathology consultant. With this authority, the pathologist will help DNRC with issues ranging from mapping the extent and evaluating the severity of root disease to responding to private landowner requests for assistance in identifying and managing forest diseases.

A contract and work plan was developed in fiscal 2000 for the pathologist. Projects on state and private lands include:

1. Mapping the extent and evaluating the severity of root diseases;
2. Locating and evaluating the opportunity of establishing blister rust resistant, white pine plantations in western Montana;
3. Evaluating and recommending management alternatives for dwarf mistletoe infestations in Douglas fir, western larch, and lodgepole pine;
4. Delineating and prioritizing high-risk stands;
5. Assisting DNRC staff with disease problems on state lands; and
6. Responding to private landowner requests for assistance in identifying and managing forest diseases.

DP 16 - Habitat Conservation Plan - The legislature approved a one-time-only, restricted, biennial appropriation for development of a habitat conservation plan for Montana. The Endangered Species Act of 1973, as amended, established the Habitat Conservation Plan Program (HCP). The program was developed to address the establishment of conservation plans to minimize and mitigate for the taking of federally listed threatened and endangered species. DNRC has been awarded \$300,000 to fund any appropriated technical and administrative personnel, equipment, and facilities to support the development of a habitat conservation plan. It is anticipated that \$100,000 will be spent each year for the next three years. A budget amendment was submitted for fiscal 2001 authority.

DP 17 - Homeowner Defensible Space Audits - The legislature approved one-time-only, biennial funding for a pilot project to assist private landowners in assessing their existing risk to structures, resource, and property from wildland fire.

DP 18 - Private Forest Land Owner Assistance - The legislature approved one-time-only, restricted, biennial funding to assist landowners who have been impacted by fires or wish to take fire prevention measures. Services to be provided include cost-share grants to landowners, public information such as brochures, and public education for school children.

DP 36 - SB 31 -- Revise State Trust Land Laws - The legislature approved funding to implement SB 31. DNRC anticipates processing 100 historic rights-of-way applications requiring four hours of staff review for each application. Application fees will generate \$5,000 annually. Fiscal impact to the DNRC is \$5,000 in fiscal 2002 and \$5,000 in fiscal 2003 from state special revenue funds. Revenue derived from the sale of easements must be deposited to the respective permanent trust.

DP 38 - SB 354 -- Full Compensation for School Trust - The legislature approved funding to implement SB 354. SB 354 will increase the annual sustained yield by approximately 2 to 6 million board feet annually beginning in FY 2003. This appropriation is for 1.00 FTE to prepare and sell the additional volume generated by this legislation.

DP 63 - SB 495 -- Purchase of Mineral Rights - The legislature approved one-time-only, restricted, biennial funding to purchase mineral production rights from the trust and legacy account. Funding is limited to the amount borrowed from the coal tax permanent fund.

DP 689 - FTE Reduction - The legislature reduced FTE for all positions vacant for over seven months. Funds were not reduced for the 2003 biennium, but the eliminated positions are not to be funded in the present law base budget submitted for the 2005 biennium.

Language

The department is appropriated up to \$20,000 for the 2003 biennium from the bond proceeds provided for in 76-13-408 for hazard reduction bonds during the 2003 biennium.

State special revenue appropriations in item [Forestry and Trust Lands Division] may be used for firefighting costs. It is the intent of the legislature to replace any state special revenue expenditures with a general fund supplemental appropriation in the next legislative session.

Item [Fire Reimbursement Funds] are those funds received from non-state entities for the use of department personnel and equipment to assist them in managing emergency incidents, such as fire suppression activities. Only funds up to \$100,000 received as reimbursement of personnel expenses credited against the department's operational budget and up to \$250,000 of funds received as payment under equipment use agreements are considered fire reimbursement funds. All other funds received must be deposited in the general fund. Funds reimbursed for the use of department equipment must be expended for the repair, maintenance, and replacement of equipment that supports the state-county cooperative fire program. The department shall report fire reimbursement expenditures on state accounting records, and the records must be separate from present law operations.

Item [Revise State Trust Land Laws] is contingent upon passage and approval of Senate Bill 31.

Item [Full Compensation for School Trust for Natural Areas] is contingent on passage and approval of Senate Bill 354.

(Note: Senate Bills 31 and 354 have been signed and approved)

Proprietary Rates

Program Description

The Air Operations Program in the Forestry Division is funded from: 1) the air operations proprietary account for those costs that can be supported by the aircraft rates charged to agencies that use the aircraft; and 2) general fund and fire protection taxes for fixed costs. The program operates three medium helicopters, two light helicopters, and three single engine fixed-wing airplanes. Aircraft are primarily used for fire detection, support and suppression of wildfires, and reclamation work in the Department of Environmental Quality. Fixed costs are paid by the general fund and fire protection tax revenue since they must be paid regardless of number of hours flown. These costs include hangar rent, insurance, and personnel costs. The general fund and fire protection taxes are appropriated by the legislature and transferred to and spent from the proprietary account. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DRNC, other state agencies, federal agencies, and the state's wildfire suppression efforts. This revenue is also deposited to the proprietary account.

Rate Explanation

The Aviation Bureau of the Forestry Division at DNRC charges for the usage of its fixed and rotary wing aircraft. Projected expenditures for each year are applied against the number of projected flight hours by each type of aircraft. The aircraft are primarily used for fire detection and suppression. Consequently, aircraft utilization is primarily driven by the severity of each fire season. The goal of the rate methodology is to maintain a fund balance that is less than 60 days, per HB 576 requirements. Rates based on the specific costs and flight usage by type of aircraft are used for charge-back to the users of the aircraft.

Three rates are determined through this process. The table below illustrates each per hour rate.

Rate Type	Fiscal 2002	Fiscal 2003
Fixed Wing	\$95	\$95
Bell 206A Helicopter	355	355
UH-1 Huey Helicopter	875	875